Dividends as a Smoke Screen: Opportunistic Initiations in China

by[*]

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Abstract

While dividend initiations are traditionally viewed as positive signals of corporate governance and future prospects, they can also be strategically opportunistic. Using ex-ante public information, we identify a set of opportunistic initiations that generate significant short-term abnormal returns, which subsequently reverse over longer horizons. Analyzing proprietary trading data, we find that smaller retail investors systematically accumulate these stocks, exhibiting poor return predictability. In contrast, larger retail and institutional investors sell into these events, displaying superior predictability. Further evidence suggests that opportunistic dividends substitute for tunneling activities, provide insiders with liquidity, and precede lower investment efficiency and weaker earnings growth. Overall, our findings demonstrate that dividend initiations—often perceived as value-enhancing—can be exploited as a mechanism for insider rent extraction.

JEL Classification: G12, G14, G35

Keywords: Dividend, Opportunism, Asymmetric Information, Retail Investors

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While dividend initiations are traditionally viewed as positive signals of corporate governance and future prospects, they can also be strategically opportunistic. Using ex-ante public information, we identify a set of opportunistic initiations that generate significant short-term abnormal returns, which subsequently reverse over longer horizons. Analyzing proprietary trading data, we find that smaller retail investors systematically accumulate these stocks, exhibiting poor return predictability. In contrast, larger retail and institutional investors sell into these events, displaying superior predictability. Further evidence suggests that opportunistic dividends substitute for tunneling activities, provide insiders with liquidity, and precede lower investment efficiency and weaker earnings growth. Overall, our findings demonstrate that dividend initiations—often perceived as value-enhancing—can be exploited as a mechanism for insider rent extraction.

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1 Introduction

Dividend issuance is among the most important corporate events. While Miller and Modigliani (1961) (MM) initially proposed the dividend irrelevance theorem, subsequent literature has demonstrated that dividend policy is profoundly relevant to firm value and investor behavior (Brav et al. 2005; Graham 2022). A prevailing view, rooted in agency theory, posits that dividend payouts enhance corporate governance by reducing free cash flow and mitigating management entrenchment (Jensen, 1986; Easterbrook, 1986; Floyd et al., 2015; Bae et al., 2021). Consequently, dividend payouts are often recognized as positive signals of good governance (La Porta et al., 2000). However, emerging evidence suggests a more nuanced reality, where the relationship between dividends and corporate governance may be heterogeneous or even adversarial (John, Knyazeva, and Knyazeva, 2011; Jordan, Liu, and Wu, 2014; Landsman et al., 2023). This paper explores this tension by asking a critical question: when do dividend initiations cease to be value-enhancing signals and instead become tools for opportunistic rent extraction?

This study investigates the identification and implications of opportunistic dividend initiations in China. We focus specifically on dividend initiations because they often reflect deliberate managerial intent—whether temporary or intended to persist—and the literature consistently documents positive abnormal returns around such events. Leveraging this context, we want to address the following research questions: First, which dividend initiations are opportunistic? Can they be identified using ex-ante public information? Second, how different types of investors trade these dividends? Third, how insiders benefit from these opportunistic dividends? Fourth, do retail investors notice this type of opportunistic dividends?

The Chinese stock market provides an ideal empirical setting for examining opportunistic dividend initiations for several reasons. First, the prevalence of concentrated ownership

structures underscores the primary agency conflict between dominant controlling shareholders and minority shareholders (Jiang and Kim, 2020). Second, In China, stringent restrictions on the trading of controlling stakes substantially limit the controller's ability to capitalize on share price appreciation. This environment heightens the incentive for controllers to extract private benefits through alternative channels (Jiang, Lee, and Yue, 2010). Third, the market is characterized by a retail-dominated investor base often associated with behavioral biases and lower financial sophistication (Johns et al., 2024). Additionally, short selling is highly restricted in China[2]. Collectively, the combination of an unsophisticated investor base, limited external monitoring, and weak investor protections (Allen, Qian, and Qian, 2005) creates a fertile ground for controlling shareholders to exploit dividend initiations as a vehicle for rent extraction (Miller and Rock, 1985).

We start by using ex-ante public information to identify the potential opportunistic dividend initiations across both the Shanghai and Shenzhen stock exchanges. Specifically, we identify the following types of opportunistic dividends.

The first type of incentive to initiate opportunistic dividends is to inflate stock prices. Because dividend initiation may act as a signal of future positive earnings change and the market reaction is usually positive (Healy and Palepu, 1988; Michaely, Thaler, and Womack, 1995), insiders can thus boost their stock price by initiating dividends and sell shares or benefit in other ways of higher prices. If the market is efficient, such kind of dividend initiations cannot inflate the stock price. As mentioned before, the absence of short selling and active trading activities by retail investors can make this kind of overpricing persistent for an extended period. From this intuition, we follow the method to identify suspicious splits in Titman, Wei, and Zhao (2022) to use three filters: (1) Lock-up expiration: dividend initiations on the impending lock-

[2] The margin trading and short selling started from 2010. During the stock crashes in mid-2015 to early 2016, the short selling was banned to stabilize the market.

up expirations of shares with trading restrictions held by influential investors (larger shareholders and institutional investors) that occur in the months surrounding the dividend announcement date[3]; (2) High accruals: firms that concurrently announce a cash dividend and report high accruals; (3) Market timing: the stock's cumulative return over the three months prior to the dividend announcement falls within the bottom 20 percent of the distribution.

One of the biggest differences between cash dividend and split is that the former needs to distribute real money to shareholders. So, the second kind of incentive to initiate dividends is to provide shareholders with liquidity. For these reasons, we identify two types of opportunistic dividend initiations.

The first one is to provide liquidity to shareholders through block trading. In May 2017, China introduced new rules governing shareholding reductions by major shareholders[4]. A key provision stipulates that when controlling shareholders divest shares through block trades, the transferee is prohibited from selling the acquired shares for six months following the transaction. Accordingly, we classify a dividend as opportunistic if a discounted block trade takes place within one to six months before the dividend announcement. A discounted block trade indicates, on the one hand, that the new shareholder acquires shares at a lower cost than investors purchasing in the open market. Because dividends are distributed on a per-share basis, such cost asymmetry effectively dilutes the dividend benefits of public-market shareholders. On the other hand, the discount reflects the buyer's bargaining power in block transactions, creating a foundation for using future dividends to provide liquidity to the new shareholder.

The second category consists of dividends that exceed current earnings (Profit-exceeding). Such payouts are unlikely to reflect a normal, sustainable policy, as they require drawing down

[3] In China, dividend proposals are typically disclosed together with annual reports. We therefore refer to the disclosure date of the dividend proposal as the dividend announcement day.
[4] Issued by the China Securities Regulatory Commission and the Shanghai and Shenzhen Stock Exchanges, including *Announcement No. 9* and the corresponding *Implementation Rules on Shareholding Reductions*.

cash reserves or obtaining external financing and therefore deviate from value-maximizing behavior. We classify a dividend as profit-exceeding when a non-SOE firm's cash dividend exceeds the larger of its current-year net profit or the sum of net profits over the previous two years. For firms listed for less than one year, we estimate full-year profit by annualizing the most recent cumulative quarterly earnings (Q1 × 4, interim × 2, Q3 × 12/9). Firms listed for fewer than four months without any quarterly reports are also treated as profit-exceeding cases. As such, these distributions may satisfy controlling shareholders' liquidity needs, transferring corporate resources at the expense of minority investors.

Overall, these criterions summarize the key characteristics of opportunistic dividend initiations. Figure 1 illustrates our main findings. Both opportunistic and regular dividend initiations generate significant positive excess returns before the announcement and through roughly 30 days afterward. However, the two patterns diverge markedly beyond this window: regular initiations continue to show positive performance— with the BHAR (buy-and-hold abnormal returns) converging to zero around day 190 before rising again—whereas opportunistic initiations exhibit a significant reversal.

[Insert Figure 1 here]

Further quantitative analysis suggests that these two types of dividend initiations do not exhibit significant differences from (-20, -2] and [-1, 30]. However, the opportunistic dividend initiations significantly underperform regular ones by 10.1% from 31 days to 252 days after announcements. For each type of opportunistic dividend initiations, we find that during the window of [-1, 30], they do not underperform regular dividend initiations, except for marginal significant for market timing. However, during the [31, 252], all types of opportunistic dividend initiations generate significant lower BHAR than regular ones by above 10%, which suggest that our definitions of opportunistic dividend initiations are economically meaningful.

We next address the second research question to investigate trading activities around the dividend initiations. We are privileged to obtain proprietary investor group level trading and holdings data from 2014 to 2020. To comply with regulatory requirements, all Chinese retail accounts are categorized into five groups by account balances: less than 100,000 CNY (RT1), between 100,000 and 500,000 CNY (RT2), between 500,000 and 3,000,000 CNY (RT3), between 3,000,000 and 10,000,000 CNY (RT4), and greater than 10,000,000 CNY (RT5).[5] This unique dataset offers an unprecedented granularity for investigating heterogeneous investors' trading on dividend initiations.

We compute cumulative net buy as the net buy volume during the event window, scaled by the average daily trading volume in the preceding calendar year. Our results show that, relative to regular dividend initiations, smaller retail investors (RT1–RT4) persistently exhibit net buying of opportunistic dividend payers around the announcement. In contrast, the largest retail investors (RT5) demonstrate consistent selling both before and after the announcements. Institutional investors display no significant preference between opportunistic and regular initiations but tend to net sell opportunistic ones following the announcements. Taken together with buy-and-hold abnormal return patterns, these findings indicate that the largest retail investors (RT5) behave as informed traders, while institutional investors correctly interpret public information related to opportunistic initiations. Conversely, smaller retail investors erroneously accumulate larger positions in these opportunistic dividend initiations.

We also formally examine the return predictability of trading imbalances for each investor group. The results indicate that smaller retail investors exhibit lower return predictability for opportunistic dividend initiations compared to regular ones, particularly following the announcement of opportunistic events. In contrast, the largest retail investors demonstrate

[5] For more details, please refer to Jones, Shi, Zhang, and Zhang (2024).

higher return predictability for opportunistic initiations after announcements. Institutional investors show stronger predictive ability for opportunistic initiations during the [31, 252] trading-day window post-announcement. These findings suggest that opportunistic dividend initiations impose greater losses on retail investors, while institutional and large retail investors are able to effectively identify such dividend events.

We next examine the mechanisms to validate our findings. First, we hypothesize that opportunistic dividend initiations should be less persistent, as they are likely driven by short-term motivations rather than a long-term commitment to shareholder distributions. Consistent with this, we find that firms initiating opportunistic dividends are significantly less likely to maintain cash dividend payments in the subsequent year.

Second, we examine how insiders benefit from opportunistic dividend payouts. Titman, Wei, and Zhao (2022) show that suspicious stock splits benefit insiders by facilitating block trades and stock pledges through inflated stock prices. Dividend distributions, however, differ from stock splits in that they deliver actual cash to shareholders. In this context, insiders can obtain liquidity directly through dividend payments, without resorting to share pledging or other cash-raising activities. Consistent with this reasoning, we find that tunneling activities—proxied by the ratios of other receivables to total assets (Jiang et al., 2010), pledged loans, and connected transactions—all decline in the quarter of opportunistic dividend initiations relative to regular dividend events. These results suggest that insiders' tunneling incentives or liquidity needs can be met through opportunistic dividend distributions, rather than through conventional channels associated with suspicious tunneling. Importantly, such behavior also harms smaller retail investors.

Third, we investigate the real effects of opportunistic dividends, focusing on investment efficiency and future earnings growth. Because opportunistic dividends may divert internal

funds to insiders and reflect short-term payout motives, they are likely to crowd out value-enhancing investment and reduce investment efficiency. We examine the relationship between opportunistic dividends and investment efficiency via the investment-Tobin's Q sensitivity following Cao et al., (2025). We find that opportunistic initiators exhibit weaker investment-Tobin's Q sensitivity, consistent with distorted investment decisions that ultimately harm the interests of other shareholders.

We next test whether opportunistic dividends signal future earnings changes. Our results show that opportunistic initiators experience significantly weaker earnings growth over the subsequent one to three years. These firms also display lower Return on Assets (ROA) from four quarters before through twelve quarters after the initiation—except for the initiation quarter and the immediately preceding quarter—consistent with the opportunistic payout hypothesis, rather than signal theory (Ham, Kaplan, and Leary, 2020). Taken together, these findings indicate that opportunistic dividends not only generate short-lived price pressure followed by reversals, but also impose adverse real effects on firms' operations.

We conclude our empirical analysis by addressing the third research question: given the presence of opportunistic dividends and their associated stock performance, do retail investors learn from their investment experience? To examine this, we collect all dividend-related posts from GUBA, a leading online stock forum in China, and use DeepSeek—a prominent large language model in China—to classify the posts based on content. We find that posts speculating about potential manipulation increase following the initiation of opportunistic dividends relative to regular dividends. However, the difference-in-differences estimate is not statistically significant within a [-4, +4] quarter event window. This result suggests that retail investors do not significantly detect opportunistic dividend behavior even ex post.

Related Literature: this study primarily contributes to three strands of literature.

This paper contributes to the literature on dividend policy and corporate governance. Classic theories view dividends as mechanisms for mitigating agency conflicts or conveying information about future performance (Bhattacharya, 1979; Easterbrook, 1984; Miller and Rock, 1985; Jensen, 1986; La Porta et al., 2000), and empirical studies document strong positive market reactions to dividend initiations (Healy and Palepu, 1988; Michaely, Thaler, and Womack, 1995). We show, however, that a subset of dividend initiations reflects opportunistic actions by insiders rather than governance improvements or credible signaling. Consistent with the time-inconsistent payout incentives highlighted in Miller and Rock (1985), opportunistic dividend initiations in our setting generate short-lived price increases followed by significant reversals, indicating that insiders exploit dividend announcements to influence market beliefs and extract private benefits at the expense of uninformed investors. Our findings extend recent work on opportunistic corporate actions such as suspicious stock splits (Titman, Wei, and Zhao, 2022) and managerial rent extraction under weak governance (Bertrand and Mullainathan, 2003; Edmans, Fang, and Lewellen, 2017), and demonstrate that dividend initiations—traditionally viewed as value-enhancing—can also serve as vehicles for opportunistic behavior.

Second, this paper contributes to the literature on controlling shareholders and tunneling (Johnson et al., 2000; Bertrand, Mehta, and Mullainathan, 2002), particularly in emerging markets. Prior research documents that insiders in weak-governance environments extract private benefits through connected-party transactions (Cheung, Rau, and Stouraitis, 2006; Jiang, Lee, and Yue, 2010), insider trading (Dittmann et al., 2025), stock splits (Titman, Wei, and Zhao, 2022), share pledges (Dou, Masulis, and Zein, 2019), price manipulation (Khwaja and Mian, 2005; Chen et al., 2019), and earnings manipulation (Liu and Lu, 2007). We show that opportunistic dividend initiations constitute an additional, previously underexplored channel through which insiders can obtain liquidity or transfer value. The observed decline in

tunneling proxies following opportunistic dividend payouts suggests that such dividends substitute for more conventional tunneling mechanisms, thereby broadening the set of tools available to controlling shareholders. Our evidence highlights that even ostensibly shareholder-friendly actions such as dividend initiations may conceal value-diverting motives in markets characterized by concentrated ownership and limited investor protection.

Third, we extend the literature on the interaction between firm dividend initiation and trading activities of investors. Early studies focus on the market reaction of dividend initiations and omissions (Healy and Palepu, 1988; Michaely, Thaler, and Womack, 1995) and trading activities around announcement and ex-dividend days (Campbell and Beranek, 1955; Michaely and Vila, 1995; Graham and Kumar, 2006; Rantapuska, 2008). Using proprietary trading data, we show that smaller retail investors systematically accumulate both regular and opportunistic dividend initiations, whereas sophisticated investors sell into opportunistic events. These findings resonate with the spirit of the "free dividend fallacy" (Hartzmark and Solomon, 2019), in which retail investors misinterpret dividends as value-creating, regardless opportunistic or regular dividend initiations.

The remainder of the paper is organized as follows. Section 2 describes data sources. Section 3 presents the empirical analyses of the market responses to opportunistic dividend initiations. Section 4 investigates the mechanism. Section 5 conducts the robustness checks. Section 6 concludes.

2 Data

2.1 Data Sources

Our trading data come from one major stock exchange in China, which contains the trading and holding history of all stocks listed on the exchange from all investors, between January 2014 and May 2020. The investors are grouped into 3 major categories: retail (RT), institutional

(INST), and corporations (CORP). Retail investors are further stratified into 5 groups based on their account sizes at the beginning of each year, which is the average portfolio value (including equity holdings in all A-share listed firms, plus cash balance) over the previous 12 months. As mentioned in the introduction, there are 5 subgroups: below 100,000 CNY (RT1), 100,000–500,000 CNY (RT2), 500,000–3 million CNY (RT3), 3 million–10 million CNY (RT4), and above 10 million CNY (RT5). Since the focus of this study is how retail trades are related to stock prices in the cross section, we sum up individual investors' trading information at 6 investor group levels (RT1–RT5, and INST) for each stock each day.

We follow Titman et al., (2022) to measure trading activity by creating a measure of net buying within each of the six investor groups. For each stock *i*, on each day *t*, within each investor group *j*, the net buying is defined as:

$$Net\ Buy_{i,t,j} = \frac{\sum_{i,t,j}\ RMB\ Buy\ - \sum_{i,t,j}\ RMB\ Sell}{Average\ Daily\ Volume_{i,t-1,j}}, \quad (1)$$

where average daily volume is the average daily volume (RMB) over the past trading year (252 trading days).

The order flows from different groups of investors are measured using order imbalances, as in Chordia and Subrahmanyam (2004) and Jones et al. (2024). For stock *i*, day *d*, and investor group *G*, we compute

$$OIB_{i,d,G} = \frac{\sum_{j\in G}\ BUY_VOL_{i,d,j} - \sum_{j\in G}\ SELL_VOL_{i,d,j}}{\sum_{j\in G}\ BUY_VOL_{i,d,j} + \sum_{j\in G}\ SELL_VOL_{i,d,j}}, \quad (2)$$

where the numerator is the difference between buy and sell share volumes for stock *i* on day *d*, summed over all individual *j*'s within group *G*, and the denominator is the sum over all individual *j*'s within group *G*. The data allow us to directly observe each trade's direction. When a set of investors buy more than they sell, the order imbalance is positive and vice versa.

We compute the order imbalance measure for each investor group as OIB_RT1 to OIB_RT5, OIB_INST, and OIB_CORP.

We obtain data on stock returns, volumes, and accounting information, dividend distribution events of stocks listed in China from CSMAR. For consistency with the retail data, the sample period runs from 2014 to 2020 to match our trading data. The construction of our main variables is detailed in Table A.

2.2 Identify Opportunistic Dividends

In our analysis, we keep the dividend distributions with announcement days within Jan, 2014 to May, 2020, including stocks listed in Shanghai Stock Exchange and Shenzhen Security Exchange. The stock returns span to one year after May, 2020. We follow Titman (2022) to exclude SOEs (state owned enterprises), because the dividend payouts of SOEs are frequently subject to governmental guidance and serve broader socio-political purposes (Lin et al., 2023). To identify opportunistic dividend distributions, we exclude firms that paid dividends in the prior year, since such payouts are more likely to reflect continuation rather than opportunism.

Our identification criterion is motivated by the incentive of insiders to facilitate dividend payouts to fulfill their opportunistic aims, including price inflation and liquidity demands.

From the motivation to inflate stock prices, we follow the method to identify suspicious splits in Titman, Wei, and Zhao (2022) to use three filters: (1) Lock-up expiration: dividend initiations on the impending lock-up expirations of shares with trading restrictions held by influential investors (larger shareholders and institutional investors) that occur in the [-1, +6] months surrounding the dividend announcement date; (2) High accruals: firms that concurrently announce a cash dividend and report high accruals. Accruals are defined as the difference between operating income minus net cash flows from operations divided by total assets. High accrual refers to non-SOE dividend announcers that are in the top quintile of accruals.

The breakpoints are set based on cut-offs from prior quarter.; (3) Market timing: the stock's cumulative return over the three months prior to the dividend announcement falls within the bottom 20 percent of the distribution.

A key distinction between cash dividends and stock splits is that the former involves actual cash outflows to shareholders. Accordingly, a second incentive for initiating dividends is to provide liquidity to shareholders. Based on this rationale, we identify two types of dividend initiations.

The first mechanism involves providing liquidity to shareholders through block trades (referred as "Block trade"). We classify a dividend as opportunistic if a discounted block trade occurs within one to six months prior to the dividend announcement. Such discounts imply that the new shareholder acquires shares at a lower cost than investors in the open market, thereby diluting the dividend benefits of public shareholders. At the same time, the discount reflects the buyer's bargaining power and seller's liquidity demand in block transactions, establishing a rationale for using subsequent dividends to supply liquidity to both the new shareholder and original block holders.

The second category captures dividends that exceed contemporaneous earnings ("profit-exceeding"). Such payouts are unlikely to represent a normal or sustainable policy, as they require drawing down cash reserves or external financing and thus deviate from value-maximizing behavior. We classify a dividend as profit-exceeding when a non-SOE firm's cash dividend exceeds the greater of its current-year net profit or the sum of net profits over the prior two years. For firms listed less than one year, we estimate annual profit by extrapolating the most recent cumulative quarterly earnings (Q1 × 4, interim × 2, Q3 × 12/9). Firms listed fewer than four months without quarterly reports are also treated as profit-exceeding. These

distributions may serve the liquidity needs of controlling shareholders, transferring corporate resources at the expense of minority investors.

2.3 Other Measures

We calculate the daily abnormal returns as the difference between the daily returns subtract market returns, then the buy-and-hold cumulative abnormal returns (BHAR) are calculated as:

$$BHAR_{i,[t_1,t_2]} = \prod_{d=t_1}^{t_2}(1 + Ret_{i,d}) - \prod_{d=t_1}^{t_2}(1 + MKT_d)\,, \tag{3}$$

Table 1 reports the summary statistics. Panel A presents the buy-and-hold abnormal returns (BHARs) for opportunistic and regular dividend initiations. We identify 1,747 opportunistic cases in our sample. Regular dividends exhibit significantly positive BHARs throughout the event window. Opportunistic initiations also generate positive market reactions before and within 30 days after the announcement, but these gains are followed by more pronounced reversals from 30 to 252 days post-announcement. The differences between the two groups are significantly positive prior to the announcement and become statistically indistinguishable in the 30-day window thereafter, before reversing sharply over the longer horizon.

[Insert Table 1 Here]

Figure 1 illustrates the BHARs around dividend announcement days. The returns following opportunistic dividends exhibit an inverse U-shaped abnormal return pattern. The buy-and-hold abnormal returns of opportunistic dividends have a positive around 7% run-up by the 30 days after the announcement, but reverse back to a negative level of around -5%.

Panel B compares firm characteristics across the two groups. Firms initiating opportunistic dividends exhibit higher asset growth, lower dividend yields, greater

idiosyncratic volatility, higher illiquidity, lower retained-earnings ratios, higher turnover, and higher valuations.

3 Opportunistic Dividend Initiations and Market Response

This section formally examines the validity of our identification criterions using the corresponding market response to the opportunistic dividend initiations. We also investigate the trading behavior of each investor group.

3.1 Market Reaction to Opportunistic Dividend Initiations

As discussed above, insiders may initiate dividends to inflate stock prices or to obtain liquidity when the market fails to recognize their opportunistic motives. Over time, however, the market incorporates the implications of such dividends. Consequently, long-horizon abnormal returns should converge to zero and even turn negative as shareholder value is eroded. If our classification is valid, we should observe positive short-window reactions to opportunistic dividend initiations, followed by significant reversals. To test this prediction, we estimate the following regressions:

$$BHAR_{i,[t_1,t_2],t_0} = a + \mathrm{b} \times \mathrm{D}(\mathrm{Opportunistic})_{\mathrm{i,t_0}} + c \times Controls + e_{i,t_0}, \qquad (4)$$

where $BHAR_{i,[t_1,t_2],t_0}$ denotes the buy-and-hold abnormal return of stock iover $[t_1, t_2]$relative to the market, conditional on a dividend event announced on day t_0. $D(Opportunistic)_{i,t_0}$is an indicator equal to one if the dividend event is classified as opportunistic. Control variables include: Div_Yield (planned cash dividends scaled by market capitalization at the end of the month prior to the announcement), E/A (net profit attributable to shareholders excluding extraordinary items divided by total assets), V/A (market value of total capital to book value of total assets), DA/A (asset growth rate), RE/B (retained earnings to total equity), Size (log market capitalization at the end of the prior month), Largest_holding (share of the largest shareholder), logAmihud (log Amihud illiquidity ratio), Turnover (monthly turnover ratio),

IVOL (monthly idiosyncratic volatility), and SysVol (monthly systematic volatility). We additionally control for SUE (unexpected earnings surprise) in Column (4), but report this specification only as a robustness check since including SUE reduces the sample size. All regressions include industry and year fixed effects, and standard errors are clustered at the industry-year level.

[Insert Table 2 Here]

Table 2 presents the regression results. In columns (1) and (2), we find that after controlling for the stock characteristics, the coefficients of *D(Opportunistic)* are insignificant in the window of (-20, -2] and [-1, 30], suggesting that opportunistic dividends generate similar abnormal returns compared with regular ones. However, the opportunistic dividends are associated with significant negative BHARs of 10.1% from 30 to 252 trading days post announcement days in column (3). Controlling for SUEs which shrinks the sample observations from 3,768 in column (3) to 2,551 in column (4) generates similar negative BHAR of 8.9%. In Column (5), we additionally control for pre-announcement BHARs. The coefficient on D(Opportunistic) is -0.101 (t = 4.67), nearly identical to that in Column (3). While price pressure prior to dividend announcements generates significant reversals, these reversals are not the primary driver of our results.

[Insert Table 3 Here]

Table 3 summarizes BHARs by type. Over the window (-20, -2], the differences between lock-up expiration as well as high-accrual dividends, and regular dividends are statistically insignificant. In contrast, market-timing and block-trade cases exhibit significantly negative return spreads, while profit-exceeding initiations generate significantly positive differences. During the [-1, 30] window, opportunistic dividends do not underperform regular dividends, except for marginal significance in the market-timing category. Over the longer horizon [31,

252], however, all types of opportunistic initiations yield BHARs more than 10% lower than regular dividends, underscoring the economic relevance of our classification.

Overall, the evidence is consistent with the prediction that opportunistic dividend initiations elicit positive short-window market reactions, but subsequently reverse to negative abnormal returns over the longer post-announcement horizon.

3.2 How Investors Trade on Opportunistic Dividend Initiations?

We next investigate the second research question about the trading activities around the dividend initiations. We are privileged to obtain proprietary investor group level trading and holdings data from 2014 to 2020. This unique dataset offers an unprecedented granularity for investigating heterogeneous investors' trading on dividend initiations.

[Insert Table 4 Here]

We compute cumulative net buying as the net buy volume during the event window, scaled by the average daily trading volume in the preceding calendar year. Table 4 reports the results. We find that relative to regular dividend initiations, smaller retail investors (RT1–RT4) consistently exhibit net buying of opportunistic payers around the announcement. By contrast, the largest retail investors (RT5) show persistent net selling both before and after the announcements. Institutional investors display no significant preference between opportunistic and regular initiations, but tend to net sell opportunistic ones following the announcements.

Figure 2 plots cumulative net buying by investor groups around opportunistic versus regular cash dividend initiations. Smaller retail investors consistently net buy opportunistic dividends following the announcements, but show no accumulation of regular ones, suggesting that opportunistic initiations attract their attention. By contrast, both large retail and institutional investors persistently sell opportunistic dividends. Combined with the buy-and-hold abnormal return patterns, these results suggest that the largest retail investors

(RT5) act as informed traders, institutional investors correctly interpret public information, while smaller retail investors mistakenly accumulate larger positions in opportunistic dividend initiations.

[Insert Figure 2 Here]

3.3 Return Predictability of Each Type of Investors

We estimate the following Fama-MacBeth (1973) regressions to investigate the return predictability of each investor group:

$$AR_{i,d+1} = a_G + b_{1,G} \times D_{opportunistic,i,d} + b_{2,G} \times OIB_{i,d,G}$$

$$+b_{3,G} \times \left(D_{opportunistic,i,d} \times OIB_{i,d,G}\right) + c \times Controls_{i,d} + \varepsilon_{i,d+1,} \quad (5)$$

where the dependent variable $AR_{i,d+1}$ is the abnormal return for firm *i* on day *d*+1, and the main independent variables include an indicator for opportunistic dividend, order imbalance measures from investor group *G* on day *d*, and their interaction terms capturing the difference in return predictability between opportunistic and regular dividends. We also include control variables including DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A, previous day's return RET (-1), previous week's return RET (-6, -2), previous month's month RET (-27, -7). Standard errors are adjusted by Newey-West HAC.

[Insert Table 5 Here]

Panel A reports results prior to dividend announcements. The coefficients of OIB for smaller retail investors (RT1–RT3, and RT1–4 as a group) are significantly negative, indicating that their trades negatively predict future returns in the pre-announcement period, consistent with Jones et al. (2024). However, the interaction terms between opportunistic and regular dividends are insignificant for most retail investors, marginally significant for RT1–4, and significantly negative for institutional investors. These findings suggest that although retail investors cannot predict future returns correctly, they do not exhibit different return

predictability on opportunistic and regular dividends.

Panel B presents results for the [-1, +30] window around announcements. We find that the return predictability of smaller retail investors deteriorates markedly for opportunistic dividend payers after announcements, whereas larger retail investors exhibit stronger predictive power. Extending the horizon to [+31, +252] trading days, the weaker predictability of smaller retail investors persists, while larger retail investors continue to positively predict future returns, albeit only marginally significant. Institutional investors also display improved performance over the longer horizon.

Taken together, the evidence highlights a sharp divergence in investor behavior around opportunistic dividend initiations. Smaller retail investors consistently misinterpret these events, trading in ways that erode their predictive ability and expose them to losses. In contrast, larger retail and institutional investors improve their return predictability after announcements, consistent with superior information processing and more rational interpretation of public signals.

4 Inspecting the Mechanisms

In this section, we delve into the mechanisms behind opportunistic dividend initiations to further understand the incentives and consequences of opportunistic dividends.

4.1 Dividend Persistence

Because opportunistic dividend distributions may serve certain short-term managerial objectives rather than long-term operational needs, they are more likely to represent a temporary arrangement. We conjecture that, relative to regular payouts, opportunistic dividends are less likely to be sustained. Specifically, firms that initiate opportunistic dividends in the current year exhibit a lower probability of continuing cash dividend distributions in the subsequent year. To examine this prediction, we estimate the following regression:

$$D(PayoutNextYear)_{i,t+1} = a + b \times D_{Opportunistic,i,t} + c \times Controls + \varepsilon_{i,t}, \quad (6)$$

where $D(Payout\ Next\ Year)$ equals one if the firm pays a cash dividend in the following year. Control variables and specifications follow prior tables. Table 6 reports the results. Column (1) shows that opportunistic initiations are associated with a 3.8% decline—about 11.4% of the standard deviation—in the probability of paying dividends in the next year. After controlling for additional firm characteristics, the decline ranges from 6.4% to 8.4%, corresponding to 19.2% to 25.1% of the standard deviation[6]. These results support our hypothesis that opportunistic dividend initiations are followed by a significantly lower likelihood of subsequent payouts.

4.2 How Insiders Benefit from Opportunistic Dividend Initiations

We next investigate how insiders benefit from opportunistic dividend payouts. Titman, Wei, and Zhao (2022) show that suspicious stock splits benefit insiders by facilitating block trades and stock pledges through inflated stock prices. Different from stock splits, dividend distributions transfer actual cash to shareholders. The literature documents that insiders can tunnel by using pledge loans (Dou, Masulis, and Zein, 2019; Hu et al., 2021), intercorporate loans (Jiang et al., 2010), and connected party transactions (Cheung, Rau, and Stouraitis, 2006; Peng, Wei, and Yang, 2011) to fulfill their private benefit. However, these channels have attracted the regulators' attention, who make policies to regulate these activities[7]. The opportunistic dividends, however, provide a substitute tool for the aforementioned activities in a seemingly more reasonable and concealed manner.

[6] Table A1 shows that dividend persistence is lower for all types of opportunistic dividends, although the effect is insignificant for the lock-up expiration type.

[7] See For details, please refer to the *Notice on Regulating Fund Transactions between Listed Companies and Related Parties as well as External Guarantees of Listed Companies* (CSRC Announcement No. 16, 2017, hereinafter referred to as "Circular 16"), the *Notice on Regulating External Guarantee Activities of Listed Companies* (CSRC Notice No. 120, 2005, hereinafter referred to as "Circular 120"), and the *Notice on Concentrated Efforts to Resolve the Issues of Misappropriation of Listed Companies' Funds and Irregular Guarantees* (CSRC Company Supervision No. 37, 2005) during our sample period.

To examine the relationship between opportunistic dividends and other tunneling activities, we estimate the following regressions:

$$Tunneling_{i,E,t} = a + b \times D_{Opportunistic,i,E} \times \text{Around}_{\text{i,E,t}} + c \times Controls_{i,E,t-1} + \varepsilon_{i,t}, \quad (7)$$

where $Tunneling_{i,E,t}$ represents three proxies for tunneling activities of firm *i* of dividend event *E* in quarter *t*. The ratio of other receivables to total assets (ORECTA) is calculated as the other receivables scaled by the total assets. The pledged loan ratio (Pledge Ratio) is calculated as the number pledged shares scaled by the total shares. Related transaction ratio (RTTA) is measured as the amount of related-party transactions scaled by the total assets. The variable, Around, is an indicator that equals one if the current quarter locates in $[t_0,\ t_0 + 1]$ relative to the initiation in quarter t_0. Table 7 presents the results:

[Insert Table 7 Here]

Columns (1) and (2) show that opportunistic dividend initiations are associated with a 0.21% (with controls) to 0.28% (without controls) decline in ORECTA, representing 8.11% to 10.8% of its mean value. Columns (3) and (4) indicate that firms initiating opportunistic dividends reduce their pledge ratio by 1.38% (with controls) to 3.21% (without controls), corresponding to 8.92% to 20.74% of the mean. Columns (5) and (6) show that related-party transactions decline by 0.23% (without controls) to 0.25% (with controls), or 18.25% to 19.84% of the mean RTTA.

Figure 3 illustrates the dynamics of these activities. Firms initiating opportunistic dividends exhibit significantly higher levels of ORECTA and pledge ratios than regular firms both before and after the announcements. However, both measures decline sharply around the announcement window. The pattern for related-party transactions is similar, though less pronounced.

[Insert Figure 3 Here]

Taken together, these results suggest that insiders' tunneling incentives or liquidity needs are satisfied through opportunistic dividend distributions rather than through conventional tunneling channels. Importantly, such behavior ultimately harms smaller retail investors. In the next section, we further examine the real impacts of opportunistic dividends.

4.3 Real Effects of Opportunistic Dividend Initiations

Miller and Rock (1985) suggest that once insiders decide to use dividend to inflate market price, the actual investment may deviate from the optimal level. In our setting, opportunistic dividends may divert internal funds to insiders and reflect short-term payout motives, they are likely to crowd out value-enhancing investment and reduce investment efficiency. We accordingly examine the relationships between opportunistic dividends and investment efficiency via the investment-Tobin's Q sensitivity following Cao et al., (2025). Specifically, we estimate the following regressions:

$$Investment_{i,t+1} = a + b \times D_{Opportunistic,i,t} + c \times TobinQ_{i,t} + d \times D_{Opportunistic,i,t} \times TobinQ_{i,t} + e \times Controls_{i,t} + \varepsilon_{i,t}, \quad (8)$$

where $Investment_{i,t+1}$ represents the new investment expenditure scaled by the lagged total assets. Tobin's Q is calculated as Market value/(Total assets–Net intangible assets–Net goodwill). The coefficient of interest is *d*. A higher *d* means that the investment is more sensitive to the change in Tobin's Q, indicating a higher investment efficiency. The results are presented in Table 8.

[Insert Table 7 Here]

We find that in Table 8, the coefficient of investment on the interaction between indicator for opportunistic dividends and Tobin's Q is negatively significant in column (1). The estimate of *d* and *b* are -0.005 and 0.007, respectively, suggesting that the firms initiating opportunistic dividends are associated with a decline in the sensitivity of investments to investment

opportunities by 71.4% (0.005/0.007) compared with normal firms. Adding control variables and using a more restrictive model containing the interactions of other covariates and Tobin's Q do not substantially change the economic and statistical significance. Collectively, the results support our prediction that opportunistic dividends are associated with weaker investment efficiency.

We next test whether opportunistic dividends signal future earnings changes. Ham, Kaplan, and Leary (2020) find that dividend changes contain information about highly persistent changes in future economic income. Expected earnings increase with dividend changes. However, because the opportunistic dividends mainly capture insiders' short-term motives rather than long-horizon benefits, as well as the lower investment efficiency, we expect that earnings growth for these firms should be lower than others. To examine this prediction, we regress the future earnings growth on the indicator for opportunistic dividends. The results are shown in Table 9:

[Insert Table 9 Here]

We show that firms with opportunistic dividends experience a decline of 1.12% to 1.14% of earning growth in the following 4 quarters, accounting for 19.6% to 20.0% of its standard deviations. The negative relationship between opportunistic dividends and future earnings growth significantly exists in a longer time period of 8 quarters and 12 quarters. Our results suggest that opportunistic dividend initiators experience significantly weaker earnings growth over the following one to three years. Figure 4 shows that these firms exhibit lower earnings from four quarters before through twelve quarters after the initiation—except for the initiation quarter and the immediately preceding quarter—consistent with the opportunistic payout hypothesis and inconsistent with signaling theory.

[Insert Figure 4 Here]

Collectively, opportunistic dividends are followed by pronounced price reversals and deteriorations in both investment efficiency and profitability[8].

4.4 Do Retail Investors Learn from the Market?

We next turn to our third research question: do retail investors learn from their investment experience? Understanding how investors recognize the dividends is a significant challenge, and has not been discussed in the literature. To overcome this challenge, we use DeepSeek, one of the leading large language models (LLMs) in China to identify investors' thoughts on these dividend distributions.

We first collect all the GUBA posts in EastMoney Stock Forum and keep those posts including "dividend". We next prompt DeepSeek to determine whether each message reflects investors' suspect using the following prompt:

> *"Please evaluate the post according to the following rules:*
>
> *1. Sentiment: Positive = 1, Negative = -1, Neutral = 0*
>
> *2. Suspicion of "Opportunistic Cash Dividends": Defined as dividend distributions that deviate from the normal profit-sharing logic and are driven by the short-term interests of controlling shareholders or managers. Such payouts appear to reward shareholders but may in fact serve specific interest groups and fail to maximize long-term firm value.*
>
> *The rules cover two categories and five scenarios: A1: Dividend following earnings management; A2: Dividend following abnormal stock price movements; A3: Dividend near share sales or lock-up expiration windows; B1: Dividend following*

[8] Table A3 also shows that firms initiating opportunistic dividends have a higher likelihood of being designated as Special Treatment (ST) firms—a regulatory label applied to companies with abnormal financial conditions or heightened delisting risk.

discounted block trades; B2: Dividend amount exceeding profits.

Please output in the following format: Sentiment; Suspicion: Yes/No; Type: A1 / A2 / A3 / B1 / B2 / Other / None; Evidence: Key phrases from the post; Reason: One-sentence explanation."

If there is no post for a stock i in quarter q, we refill it with zero for both the number of posts and sentiment. Our results remain similar if not filling the missing values. Because the number of posts is a count-liked variable, we follow Cohn, Liu, and Wardlaw (2022) to estimate a panel Poison regression model around [-4, +4] quarter of announcement days[9]:

$$\#Posts_{i,q} = exp\left(a + b \times D_{opportunistic,i} \times After_{i,t} + c \times Controls_{i,q} + \epsilon_{i,q}\right), \quad (9)$$

where $\#Posts$ denotes the number of forum posts that question the dividend as opportunistic. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the firm-event and quarter-event fixed effects. Standard errors are double-clustered by firm-event and quarter-event. The results are reported in columns (1) and (2) in Table 10.

[Insert Table 10 Here]

In column (1), the estimate on the difference-in-difference term is 0.106 (t = 0.99), indicating that although suspicion toward opportunistic dividends rises after the announcement relative to regular dividends, the increase is not statistically significant. Including additional control variables does not alter this conclusion. We then replace the dependent variable with investor sentiment and re-estimate the model using OLS in columns (3) and (4). Without controls, investor sentiment becomes more negative following opportunistic dividend initiations; however, once controls are added, the coefficient loses significance.

[9] Because panel Poisson regressions drop singletons or observations separated by a fixed effect, and also exclude cases where the dependent variable $y$is uniformly zero, the number of observations is smaller than in OLS. Retaining these dropped observations does not affect the results.

Overall, these results suggest that retail investors exhibit limited learning on opportunistic dividends. Their sentiment changes on opportunistic dividends appear weak and largely driven by observable firm characteristics rather than deeper inference. As a result, retail investors' limited understanding of opportunistic dividends allows stock prices to drift upward after the announcement, creating profitable opportunities for insiders who initiate such payouts.

5 Robustness Checks

In this section, we conduct two robustness checks on the market response to opportunistic dividend initiations, including DGTW-adjusted returns in 5.1 and using doubly debiased LASSO to address the issue of omitted variables.

5.1 DGTW Returns

The first concern on our results is that the market responses may capture the characteristics, such as size, book-to-market, and momentum. To address this concern, we calculate the DGTW-adjusted returns (Daniel et al. 1997) for a robustness check as follows. We firstly sort stocks into three groups according to their Size, Book-to-market, and Momentum, independently. 27 portfolios are formed by the intersection of these characteristics-sorted groups. We then calculate the value-weighted portfolio returns. Daily DGTW takes the stock return and subtracts the returns of a portfolio matched on the terciles of Size, Book-to-market, and Momentum.

[Insert Table 11 Here]

Table 11, Panel A reports the results. We find that the DGTW-adjusted buy-and-hold abnormal returns are similar to the market-adjusted BHARs. The estimates for BHAR-DGTW (−20, 2], [−1, 30], and [31, 252] are −0.004 (t = −0.71), −0.000 (t = −0.04), and −0.093 (t = −4.08), compared with −0.003 (t = −0.40), 0.003 (t = 0.35), and −0.101 (t = −4.68) for BHAR (−20, 2], [−1, 30], and [31, 252], respectively. These results indicate that firm characteristics

such as size, book-to-market, and momentum do not account for our findings.

5.2 Addressing Hidden Confounding Factors

A key identification concern in our setting is that firms' dividend decisions may be jointly driven by unobserved factor, such as managerial incentives, ownership structures, or latent governance shocks, that also correlate with observable firm characteristics. If these hidden forces load broadly across many covariates, our regressions may be subjected to biased estimates. To address this issue, we adopt the approach of doubly debiased LASSO (DDL), following Guo, Ćevid, and Bühlmann (2022), which is designed for environments where unobserved confounders have a pervasive, economy-wide footprint. The method works by filtering out the common components embedded in the data and then correcting the remaining high-dimensional estimation bias. This allows us to recover coefficient estimates that reflect genuine economic relationships rather than artifacts of omitted variables. In essence, the procedure isolates the variation in firm characteristics that is orthogonal to these hidden forces, enabling cleaner inference about how opportunistic dividends relate to market responses.

Table 11, Panel B reports the results using the Doubly Debiased Lasso (DDL). In columns (1) to (4), the estimates are insignificant and comparable across OLS and DDL specifications. The DDL estimate in column (6) is −0.068 (t = −4.96), indicating that even after accounting for latent confounding variables, opportunistic dividends continue to generate significantly negative abnormal returns over the [31, 252] day window following the announcement. This estimate is comparable to the OLS result of −0.101 (t = −4.68). Taken together, the evidence from both DGTW-adjusted BHARs and DDL confirms the robustness of our findings.

6 Conclusion

This paper investigates opportunistic dividend initiations in China. Using ex-ante public information, we identify several categories of opportunistic dividends and document that, while

they generate short-term positive market reactions, these gains reverse sharply in the long run. Our analysis of proprietary trading data reveals that smaller retail investors systematically accumulate opportunistic dividend payers and suffer losses, whereas larger retail and institutional investors interpret public signals more accurately and trade accordingly. We further show that opportunistic dividends substitute for conventional tunneling activities, providing insiders with liquidity while eroding firm value, which is different from the suspicious stock splits documented in Titman et al., (2022). Finally, we find no evidence that retail investors learn from these experiences, underscoring persistent informational disadvantages.

Collectively, our findings contribute to the literature on dividend policy, corporate governance, and investor behavior by showing that dividend initiations—traditionally regarded as value-enhancing—can also serve as instruments of opportunistic insider actions. The evidence underscores heterogeneity in investor sophistication and the central role of information asymmetry in shaping market outcomes. The Chinese stock market, with its concentrated ownership, limited investor protection, restrictions on short selling, and retail-dominated trading base, provides a fertile environment for such opportunistic behavior. These features are not unique to China and may extend to other developing economies. From a policy perspective, our results highlight the importance of strengthening investor protection and enhancing transparency in dividend decisions to mitigate opportunism and safeguard minority shareholders in emerging markets.

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Table A. Variable Definition

Opportunistic Dividends	Definition
Lock-up expiration	Lock-up expiration is non-SOE dividend announcers that have lock-up expirations that occur in months −1 to + 6 around the dividend announcement of private placements or restricted shares held by influential shareholders. Influential shareholders include the top 10 shareholders and institutional investors.
High accrual	High accrual is non-SOE dividend announcers that are in the top quintile of accruals. The breakpoints are set based on cut-offs from prior quarter.
Market timing	If the dividend is announced in the current or preceding month and the stock was in the bottom quintile of returns during the previous three months.
Block trade	Block trade is non-SOE dividend announcers that reported at least one block trade with a discount price in months −6 to −1.
Profit-exceeding	Profit exceeding is non-SOE dividend announcers of which the cash dividend payout exceeds the maximum of net profit or the sum of net profit in the last two years. If the firm is listed within one year, we annualize the latest cumulative quarterly profits by applying adjustment factors (Q1 report ×4, interim report ×2, Q3 report ×12/9) to estimate full-year profit. If a company has been listed for less than four months and has not released quarterly reports, we also classify it as a profit-exceeding opportunistic cash dividend case.
Other Variables	**Definition**
E_t/A_t	Profitability, the ratio of net profit attributable to shareholders of the listed company excluding extraordinary items to the book value of total assets.
V_t/A_t	Growth opportunity, the ratio of the market value of total capital (book value of total assets - book value of equity + market value of equity) to the book value of total assets.
dA_t/A_t	Growth opportunity, the quarterly QoQ asset growth.
A_t	Firm size, the book value of total assets.
RE_t/B_t	The earned/contributed capital mix, proxy for Life-cycle stage, the ratio of retained earnings to total equity.
Idiosyncratic risk	A firm's idiosyncratic risk is the standard deviation of residuals from a regression of its daily excess stock returns (raw returns less the riskless rate) on the market factor (i.e., the value-weighted market return less the riskless rate).
Systematic risk	A firm's systematic risk is the standard deviation of the predicted value from the above regression used to define idiosyncratic risk.
Liquidity-Amihud	Amihud illiquidity measure. For every trading day in month *t*, we divide the absolute return by the dollar volume. The illiquidity variable is the natural

illiquidity	logarithm of the average daily estimates over all trading days of month *t*.
Liquidity- turnover	Share turnover—the ratio of shares traded to shares outstanding for month *t*
Largest_holding	Largest shareholder holdings
Investment	Investment is measured by (Cash paid for acquisition/construction of fixed assets, intangible assets and other long-term assets + Net cash paid for acquisition of subsidiaries and other business units − Net cash received from disposal of fixed assets, intangible assets and other long-term assets − Net cash received from disposal of subsidiaries and other business units) – (Depreciation of fixed assets + Amortization of intangible assets + Amortization of long-term prepaid expenses). If this item is missing, we replace it with (Ending gross balance of fixed assets) – (Beginning gross balance of fixed assets).

Table 1. Summary Statistics on Opportunistic Dividends vs. Regular Dividends

This table reports the summary statistics on buy-and-hold abnormal returns (BHAR) and characteristics of opportunistic and regular cash dividends. BHAR is calculated as the cumulative stock returns minus cumulative market returns. Characteristics include DA/A (quarterly QoQ asset growth), Div_Yield (plan) (dividend yield calculated as the planned cash dividend divided by total market capitalization at the end of the prior month), E/A (profit-total asset ratio), IVOL (idiosyncratic volatility by CAPM model in last month), Largest_holding (largest holders' shareholdings), logAmihud (logarithm of average daily Amihud illiquidity ratio in last month), RE/B (the ratio of retained earnings to total equity), Size (logarithm of market capitalization at the end of the prior month), SysVol (systematic volatility by CAPM model in last month), Turnover (average daily turnover ratio in last month), V/A (the ratio of the market value of total capital to the book value of total assets). ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Buy-and-hold abnormal returns of opportunistic and regular cash dividends

	Opportunistic (1)		Regular (2)		Difference (1-2)	
Event Window	BHAR	T	BHAR	T	BHAR	T
(-20, -2)	0.0459***	(5.44)	0.0257***	(9.06)	0.0202***	(2.64)
(-1, 30)	0.0243***	(4.61)	0.0192***	(5.43)	0.0051	(0.83)
(31, 252)	-0.0947***	(-8.04)	0.0485***	(4.48)	-0.1432***	(-8.68)
Num	1,747		2,720			

Panel B. Summary on characteristics of opportunistic and regular cash dividends

	Opportunistic (1)		Regular (2)		Difference (1-2)	
Event Window	Mean	Num	Mean	Num	Mean	T
DA/A	0.074	1317	0.0544	2653	0.020***	(3.68)
Div_Yield (plan)	0.007	1669	0.011	2594	-0.004***	(-14.79)
E/A	0.047	1521	0.0468	2717	0.000	(-0.12)
IVOL	0.030	1692	0.0237	2609	0.006***	(11.27)
Largest_holding	0.336	1521	0.3425	2717	-0.006	(-1.38)
logAmihud	-21.852	1695	-21.9438	2612	0.091**	(2.11)
RE/B	0.320	1521	0.3844	2717	-0.064***	(-14.56)
Size	15.652	1695	15.6057	2612	0.047*	(1.92)
SysVol	0.018	1692	0.0179	2609	0.000	(1.07)
Turnover	0.081	1695	0.034	2612	0.047***	(24.05)
V/A	3.929	1469	2.8125	2609	1.117***	(14.84)

Table 2. BHARs around Opportunistic and Non-opportunistic Dividend Payouts

This table estimates the following regressions:

$$BHAR_{i,[t_1,t_2],t_0} = a + b \times D(Opportunistic)_{i,t_0} + c \times Controls + e_{i,t_0},$$

where $BHAR_{i,[t_1,t_2],t_0}$ include buy-and-hold abnormal returns in (-20, -2], [-1, +30], and [+31, +252] around dividend announcement dates. $D(Opportunistic)_{i,t_0}$ equals one if the dividend event is classified as a opportunistic dividend payout. Control variables include Div_Yield (planned cash dividends scaled by market capitalization at the end of the month prior to the announcement), E/A (net profit attributable to shareholders excluding extraordinary items divided by total assets), V/A (market value of total capital to book value of total assets), DA/A (asset growth rate), RE/B (retained earnings to total equity), Size (log market capitalization at the end of the prior month), Largest_holding (share of the largest shareholder), logAmihud (log Amihud illiquidity ratio), Turnover (monthly turnover ratio), IVOL (monthly idiosyncratic volatility), and SysVol (monthly systematic volatility). We further control for the unexpected earnings surprise (SUE) in column (4). All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Dep var =	BHAR (-20, -2]	BHAR [-1, 30]	BHAR [31, 252]	BHAR [31, 252]	BHAR [31, 252]
$D_{Opportunistic}$	-0.003	0.003	-0.101***	-0.089***	-0.101***
	(-0.40)	(0.35)	(-4.68)	(-3.37)	(-4.67)
Div_Yield (plan)	-0.382	1.249***	-0.425	0.400	-0.504
	(-1.64)	(4.72)	(-0.47)	(0.38)	(-0.56)
E/A	0.321***	0.025	0.215	-0.261	0.238
	(3.66)	(0.20)	(0.63)	(-0.71)	(0.69)
V/A	0.000	0.001	-0.012**	-0.001	-0.012*
	(0.08)	(0.48)	(-2.02)	(-0.13)	(-1.95)
DA/A	0.004	0.079***	-0.039	-0.121**	-0.037
	(0.27)	(3.10)	(-0.95)	(-2.02)	(-0.88)
RE/B	-0.023	-0.012	0.030	0.067	0.035
	(-0.88)	(-0.49)	(0.47)	(0.81)	(0.55)
Size	0.005	-0.005	-0.004	-0.014	-0.002
	(0.58)	(-0.70)	(-0.16)	(-0.49)	(-0.11)
Largest_holding	-0.035**	0.033	0.055	0.152*	0.049
	(-2.33)	(1.53)	(0.93)	(1.94)	(0.83)
logAmihud	0.029***	0.011**	0.042***	0.031*	0.044***
	(3.11)	(2.01)	(2.98)	(1.76)	(3.11)
Turnover	-0.145	-0.080	-0.277	-0.778	-0.297
	(-1.10)	(-0.68)	(-0.82)	(-1.60)	(-0.88)
IVOL	0.586	0.285	-0.888	-0.830	-0.757
	(1.01)	(0.79)	(-1.05)	(-0.64)	(-0.88)
SysVol	-0.623	0.638	-2.447**	-1.952	-2.493**
	(-1.63)	(1.62)	(-2.51)	(-1.33)	(-2.49)
SUE				-0.142	
				(-0.38)	
BHAR (-20, -2]					-0.126***
					(-2.79)
Observations	3,732	3,706	3,768	2,551	3,732
Adjusted R^2	0.085	0.106	0.063	0.046	0.063
Industry FE	YES	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES	YES

Table 3. BHARs around Opportunistic Dividend Payouts by Type

This table investigates the BHARs around opportunistic dividend payouts by type, including lock-up expiration, high accruals, block trade, and private placement. Lock-up expiration is non-SOE dividend announcers that have lock-up expirations that occur in months −1 to + 6 around the dividend announcement of private placements or restricted shares held by influential shareholders. High accrual is non-SOE dividend announcers that are in the top quintile of accruals. Market timing is a dummy variable equal to one if the dividend is announced in the current or preceding month and the stock was in the bottom quintile of returns during the previous three months, and zero otherwise. Block trade is non-SOE dividend announcers that reported at least one block trade with a discount price in months −6 to −1. Profit exceeding is non-SOE dividend announcers of which the cash dividend payout exceeds the maximum of net profit or the sum of net profit in the last two years. Panel A, B, and C present the results of BHAR (-20, -2], BHAR [-1, 30], and BHAR [31, 252], respectively. The sample period is from Jan, 2014 to May, 2020. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: BHAR (-20, -2]							
		Opportunistic (1)		Regular (2)		Difference (1-2)	
Type	Num	BHAR	T	BHAR	T	BHAR	T
Lock-up expiration	695	0.0280***	(4.98)	0.0257***	(9.06)	0.0023	(0.37)
High accruals	551	0.023	(1.43)			-0.0027	(-0.28)
Market timing	400	-0.0124*	(-1.91)			-0.0381***	(-4.96)
Block trade	397	0.0086	(1.33)			-0.0171**	(-2.22)
Profit-exceeding	576	0.0947***	(4.09)			0.0690***	(5.55)
Panel B: BHAR [-1, 30]							
		Opportunistic (1)		Regular (2)		Difference (1-2)	
Type		BHAR	T	BHAR	T	BHAR	T
Lock-up expiration	712	0.0195***	(2.71)	0.0192***	(5.43)	0.0002	(0.03)
High accruals	550	0.0396***	(3.84)			0.0204**	(2.25)
Market timing	404	0.0029	(0.31)			-0.0164*	(-1.68)
Block trade	400	0.0142	(1.47)			-0.005	(-0.51)
Profit-exceeding	582	0.0432***	(4.00)			0.0240***	(2.64)
Panel C: BHAR [31, 252]							
		Opportunistic (1)		Regular (2)		Difference (1-2)	
Type		BHAR	T	BHAR	T	BHAR	T
Lock-up expiration	736	-0.1187***	(-8.07)	0.0485***	(4.48)	-0.1673***	(-7.53)
High accruals	567	-0.1243***	(-5.08)			-0.1729***	(-6.59)
Market timing	409	-0.1444***	(-7.97)			-0.1930***	(-6.69)
Block trade	419	-0.0756***	(-3.48)			-0.1241***	(-4.29)
Profit-exceeding	591	-0.0574**	(-2.10)			-0.1060***	(-4.00)

Table 4. Trader Net Buying Activity around Opportunistic Dividend Announcement

This table reports the average cumulative net buying in the pre-announcement [t-20, t-2], around-announcement [t-1, t+30] and post-announcement [t+31, t+252] period for each investor type for cash dividend announcements on the leading stock exchange. The cumulative net buy is calculated by the RMB amount of difference between buy and sell trades, scaled by the average daily trading volume in the 252 days prior to pre-announcement periods. We also report the difference of the cumulative net buy between opportunistic and regular dividends. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Before (-20, -2]			Around [-1, +30]			After [+31, +252]		
Investor group	Opportunistic	Regular	Diff	Opportunistic	Regular	Diff	Opportunistic	Regular	Diff
RT1	-0.0103	-0.0455***	0.0351***	0.0011	-0.0086	0.0097	-0.0059	-0.3132***	0.3073***
	(-1.18)	(-7.31)	(3.01)	(0.07)	(-0.95)	(0.56)	(-0.11)	(-7.89)	(4.23)
RT2	0.0225	-0.0106***	0.0731**	0.1641***	-0.0084	0.1233**	0.5998***	-0.0331***	0.6682***
	(0.17)	(-3.75)	(2.13)	(4.01)	(0.35)	(2.50)	(2.74)	(-3.54)	(4.38)
RT3	0.0225	-0.0106	0.0331	0.1641***	-0.0084	0.1725**	0.5998***	-0.0331	0.6329***
	(0.61)	(-0.39)	(0.66)	(3.57)	(-0.21)	(2.39)	(3.22)	(-0.33)	(3.17)
RT4	0.0283	0.0209	0.0073	0.0363	-0.0160	0.0523	0.3362***	0.1902***	0.1460
	(1.32)	(1.29)	(0.24)	(1.19)	(-0.71)	(1.26)	(3.20)	(3.05)	(1.21)
RT14	0.0365	-0.0879	0.1243	0.3027***	0.0206	0.2821*	1.4272***	-0.3348	1.7620***
	(0.44)	(-1.52)	(1.14)	(3.28)	(0.23)	(1.79)	(3.23)	(-1.46)	(3.82)
RT5	-0.0229	0.1574***	-0.1804***	-0.0489	-0.0029	-0.0459	-0.3394	0.3081**	-0.6475**
	(-0.51)	(4.55)	(-2.83)	(-0.76)	(-0.05)	(-0.47)	(-1.53)	(1.99)	(-2.25)
Institutional	-0.0225	-0.0043	-0.0182	-0.1946**	0.1039	-0.2985**	-0.4512	0.2959	-0.7471*
	(-0.30)	(-0.09)	(-0.20)	(-2.07)	(1.27)	(-2.03)	(-1.32)	(1.33)	(-1.78)

Table 5. Return Predictability of Investors around Dividend Initiation Announcements

This table examines how return predictability of order imbalance of different investor groups varies around opportunistic and regular dividend announcement. We estimate the following Fama-MacBeth (1973) regressions by quarter:

$$AR_{i,d+1} = a_G + b_{1,G} \times D_{opportunistic,i,d} + b_{2,G} \times OIB_{i,d,G} + b_{3,G} \times \left(D_{opportunistic,i,d} \times OIB_{i,d,G}\right) + c \times Controls_{i,d} + \varepsilon_{i,d+1,}$$

where the dependent variable is the next-day abnormal stock return relative to the market return (AR), and the independent variable is the order imbalance of investor group *G* on day *t* for stock *i*. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A, previous day's return RET (-1), previous week's return RET (-6, -2), previous month's month RET (-27, -7). *T*-statistics adjusted by Newey-West (1987) HAC are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Investor order flow predicting next day abnormal returns in [-20, -2] before (non-)opportunistic dividends

Dep Var =	AR						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
OIB Group.	RT1	RT2	RT3	RT4	RT14	RT5	INST
OIB	-0.013**	-0.016**	-0.006*	-0.001	-0.018**	0.002	0.003
	(-2.22)	(-2.75)	(-2.05)	(-0.31)	(-2.27)	(0.99)	(1.23)
$D_{opportunistic}$	-0.171	-0.196	-0.196	-0.225	-0.215	-0.201	-0.206
	(-1.08)	(-1.08)	(-1.07)	(-1.09)	(-1.07)	(-1.06)	(-1.05)
$OIB \times D_{opportunistic,}$	0.010	0.010	0.005	0.004	0.018*	0.001	-0.003**
	(1.28)	(1.44)	(0.90)	(1.14)	(2.01)	(0.46)	(-2.19)
Controls	YES	YES	YES	YES	YES	YES	YES
Observations	19,912	19,912	19,912	19,912	19,912	19,911	19,908
Adjusted R-squared	0.078	0.076	0.070	0.065	0.075	0.064	0.077

Panel B. Investor order flow predicting next day abnormal returns in [-1, +30] around (non-)opportunistic dividends

Dep Var =	AR_{t+1}						
OIB_t	-0.014**	-0.014***	-0.011***	0.003	-0.014***	0.008*	0.002
	(-2.73)	(-3.34)	(-3.58)	(1.59)	(-4.15)	(1.92)	(1.45)
$D_{opportunistic,i,d}$	0.265	0.179	0.209	0.251	0.207	0.253	0.220
	(1.01)	(0.95)	(0.96)	(1.04)	(0.98)	(1.09)	(1.03)
$OIB_t \times D_{opportunistic,i,d}$	-0.008**	-0.016***	-0.010*	0.001	-0.018**	0.006**	-0.002
	(-2.07)	(-3.02)	(-1.94)	(0.19)	(-2.13)	(2.11)	(-1.25)
Controls	YES	YES	YES	YES	YES	YES	YES
Observations	38,153	38,153	38,153	38,153	38,153	38,149	38,128
Adjusted R-squared	0.078	0.076	0.068	0.064	0.068	0.066	0.063

Panel C. Investor order flow predicting next day abnormal returns in [31, 252] after (non-)opportunistic dividends

Dep Var =	AR_{t+1}						
OIB_t	-0.011***	-0.012***	-0.009***	-0.002	-0.011***	0.003**	0.002***
	(-5.13)	(-4.68)	(-3.54)	(-1.53)	(-4.07)	(2.54)	(7.70)
$D_{opportunistic,i,d}$	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(-1.35)	(-0.90)	(-0.72)	(-0.77)	(-0.81)	(-0.82)	(-0.77)
$OIB_t \times D_{opportunistic,i,d}$	-0.007***	-0.007***	-0.006***	0.000	-0.008***	0.001*	0.001**
	(-6.34)	(-5.29)	(-4.68)	(-0.17)	(-6.71)	(1.87)	(2.57)
Controls	YES	YES	YES	YES	YES	YES	YES
Observations	255,061	255,061	255,061	255,058	255,061	255,002	254,915
Adjusted R-squared	0.021	0.02	0.016	0.012	0.017	0.013	0.013

Table 6. Dividend Persistence for Opportunistic and Regular Dividend Payouts

This table estimates the following regressions:

$$D(PayoutNextYear)_{i,t+1} = a + b \times D_{Opportunistic,i,t} + c \times Controls + \varepsilon_{i,t},$$

where $D(PayoutNextYear)$ is an indicator that equals one if the firm pays cash dividend in the next year. $D_{Opportunistic}$ equals one if the dividend event is classified as an opportunistic dividend payout. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)
Dep var =		D (Payout Next Year)	
$D_{Opportunistic}$	-0.038***	-0.064***	-0.084***
	(-3.25)	(-4.61)	(-5.61)
E/A		1.633***	1.614***
		(10.02)	(9.71)
V/A		0.003	-0.003
		(0.79)	(-0.61)
DA/A		0.063	0.039
		(1.58)	(0.97)
RE/B		0.182***	0.185***
		(3.79)	(3.90)
Size		-0.006	0.029**
		(-0.64)	(2.44)
Largest_holding		0.080**	0.038
		(2.20)	(1.02)
logAmihud			0.032***
			(3.69)
Turnover			0.980***
			(5.12)
IVOL			-1.366**
			(-2.25)
SysVol			0.758
			(1.12)
Constant	0.887***	0.798***	0.969***
	(156.58)	(5.74)	(6.19)
Observations	4,464	3,813	3,807
Adjusted R^2	0.028	0.089	0.097
Industry FE	YES	YES	YES
DivYear FE	YES	YES	YES

Table 7. Opportunistic Dividend Initiations and Other Tunneling Channels

This table estimates the following regressions:

$$Tunneling_{i,E,t} = a + b \times D_{Opportunistic,i,E} \times Around_{i,E,t} + c \times Controls_{i,E,t-1} + \varepsilon_{i,t},$$

where $Tunneling_{i,E,t}$ represents three proxies for tunneling activities of firm i of dividend event E in quarter t. The ratio of other receivables to total assets (ORECTA) is calculated as the other receivables scaled by the total assets. The pledged loan ratio (Pledge Ratio) is calculated as the number pledged shares scaled by the total shares. Related transaction ratio (RTTA) is measured as the amount of related-party transactions scaled by the total assets. Around is an indicator that equals one if the current quarter locates in $[t_0,\ t_0+1]$ relative to the initiation in quarter t_0. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. The event window is from [t-4 quarter, t+12 quarter]. All regressions control for the firm-event and quarter-event fixed effects. T-statistics based on standard errors clustered at the firm-event and quarter-event level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep var =	ORECTA		Pledge Ratio		RTTA	
$D_{Opportunistic}$×Around	-0.0028***	-0.0021***	-0.0321***	-0.0138***	-0.0025*	-0.0023*
	(-3.67)	(-2.63)	(-9.51)	(-4.62)	(-1.89)	(-1.72)
E/A		-0.0247***		-0.0174		-0.0036
		(-4.74)		(-1.26)		(-0.46)
V/A		0.0007***		-0.0055***		0.0019***
		(3.17)		(-6.62)		(4.36)
DA/A		0.0004		-0.0020***		-0.0001
		(1.16)		(-2.97)		(-0.20)
RE/B		0.0003		0.0006**		0.0010*
		(1.46)		(2.07)		(1.72)
Size		-0.0023**		0.0015		-0.0089***
		(-2.38)		(0.41)		(-6.63)
Largest_holding		0.0096		0.3012***		-0.0111
		(1.32)		(9.14)		(-1.06)
logAmihud		-0.0005**		-0.0015**		-0.0009**
		(-2.32)		(-2.05)		(-2.08)
Turnover		-0.0009***		-0.0090***		0.0003
		(-3.69)		(-10.04)		(0.76)
IVOL		0.0569***		-0.0443		0.0784**
		(3.61)		(-0.73)		(2.43)
SysVol		-0.0347		-0.1349		-0.0827
		(-1.43)		(-1.62)		(-1.37)
Constant	0.0260***	0.0470***	0.1562***	0.0314	0.0127***	0.1273***
	(867.31)	(3.32)	(1,053.23)	(0.59)	(319.10)	(6.83)
Observations	71,310	66,911	69,852	65,578	71,950	67,491
Adjusted R^2	0.618	0.629	0.799	0.824	0.121	0.142
Firm-Event FE	YES	YES	YES	YES	YES	YES
Quarter-Event FE	YES	YES	YES	YES	YES	YES

Table 8. Opportunistic Dividends and Investment-Tobin Q Sensitivity

This table estimates the following regressions:

$$Investment_{i,t+1} = a + b \times D_{Opportunistic,i,t} + c \times Tobin'sQ_{i,t} + d \times D_{Opportunistic,i,t} \times TobinQ_{i,t} + \gamma \times Controls_{i,t} + \varepsilon_{i,t},$$

where dependent variable $Investment_{i,t+1}$ represents the new investment expenditure scaled by the lagged total assets. Tobin's Q is calculated as Market value / (Total assets – Net intangible assets – Net goodwill). Control variables include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the industry and dividend year fixed effects. We further control for the interaction terms between TobinQ and other control variables. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
Dep Var =		Investment		
$D_{Opportunistic}$	0.016**	0.011*	0.009	0.008
	(2.26)	(1.71)	(1.40)	(1.10)
Tobin's Q	0.007***	-0.003	-0.003	0.066**
	(3.25)	(-0.90)	(-1.03)	(2.51)
$D_{Opportunistic} \times TobinQ$	-0.005**	-0.004**	-0.004**	-0.004**
	(-2.24)	(-2.20)	(-2.19)	(-2.00)
E/A		0.126**	0.130**	0.134
		(2.38)	(2.37)	(1.51)
V/A		0.012***	0.012***	0.012***
		(4.06)	(3.91)	(3.61)
DA/A		0.071***	0.067***	0.085***
		(5.83)	(5.48)	(4.87)
RE/B		-0.028*	-0.027	-0.024
		(-1.78)	(-1.65)	(-1.03)
Size		-0.001	0.005	0.014*
		(-0.31)	(0.96)	(1.74)
Largest_holding		0.026**	0.019*	0.006
		(2.48)	(1.76)	(0.30)
logAmihud			0.006*	0.002
			(1.72)	(0.47)
Turnover			0.083	0.273***
			(1.39)	(2.93)
IVOL			0.009	-0.449
			(0.04)	(-1.46)
SysVol			0.417	-0.255
			(1.52)	(-0.49)
Constant	0.027***	0.030	0.064	-0.136
	(4.26)	(0.58)	(1.04)	(-1.52)
Tobin Q×Other Controls	NO	NO	NO	YES
Observations	4,146	3,759	3,754	3,754
Adjusted R^2	0.060	0.074	0.075	0.081
Industry FE	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES

Table 9. Opportunistic Dividends and Future Earnings Changes

This table reports regression results on opportunistic and regular dividends and future earnings changes. The dependent variable is the earnings change for the time period *t*+4, *t*+8, and *t*+12 quarters. The earnings change is calculated as the difference between future earnings less earnings in *t*-1 quarter divided by the market value at the end of December in the previous year of announcement dates. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep Var =	ΔE_{t+4}		ΔE_{t+8}		ΔE_{t+12}	
$D_{Opportunistic}$	-0.0114***	-0.0112***	-0.0172***	-0.0167***	-0.0108***	-0.0117***
	(-4.49)	(-4.20)	(-4.73)	(-4.46)	(-2.80)	(-2.76)
E/A		-0.0816**		-0.2423***		-0.1465**
		(-2.37)		(-5.65)		(-2.25)
V/A		0.0010**		0.0021***		-0.0002
		(2.27)		(2.79)		(-0.24)
DA/A		0.0033		-0.0037		-0.0081
		(0.44)		(-0.54)		(-0.92)
RE/B		0.0135		0.0317**		0.0324**
		(1.08)		(2.56)		(2.32)
Size		0.0006		0.0004		-0.0049
		(0.34)		(0.15)		(-1.29)
Largest_holding		0.0169***		0.0176*		-0.0079
		(2.72)		(1.96)		(-0.80)
logAmihud		0.0012		0.0069***		0.0015
		(0.83)		(3.08)		(0.51)
Turnover		0.0280		-0.0064		0.0443
		(0.75)		(-0.12)		(0.70)
IVOL		0.0683		-0.1091		0.0811
		(0.68)		(-0.61)		(0.37)
SysVol		-0.2212*		-0.1506		-0.3720**
		(-1.77)		(-0.96)		(-1.99)
Constant	0.0009	0.0075	0.0035**	0.1424***	0.0018	0.1133**
	(1.06)	(0.31)	(2.50)	(3.92)	(0.84)	(2.01)
Observations	3,101	3,014	3,100	3,013	3,096	3,009
Adjusted R^2	0.052	0.047	0.023	0.039	0.026	0.030
Industry FE	YES	YES	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES	YES	YES

Table 10.Do Retail Investors Express Greater Skepticism Following Opportunistic Dividends?

In this table, we estimate the following panel Poisson regressions in columns (1) and (2):

$$\#Posts_{i,q} = exp(a + b \times D_{opportunistic,i} \times After_{i,t} + c \times Controls_{i,q} + \epsilon_{i,q}),$$

where $\#Posts$ denotes the number of forum posts that question the dividend as opportunistic. $After$is an indicator equal to one if the current quarter falls in or after the announcement quarter. In columns (3) and (4), the dependent variable is replaced with the average investor sentiment for each stock. Sentiment is coded as 1 for positive posts, 0 for neutral posts, and -1 for negative posts. The sample spans $[t-4, t+4]$quarters, with the announcement occurring in quarter t. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the firm-event and quarter-event fixed effects. T-statistics based on standard errors clustered at the firm-event and quarter-event level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
Dep var =	Posts		Sentiment	
$D_{Opportunistic}$×After	0.106	0.177	-0.049***	-0.015
	(0.99)	(1.60)	(-4.88)	(-1.45)
E/A		2.957***		0.028
		(5.99)		(0.57)
V/A		-0.021*		-0.001
		(-1.68)		(-0.71)
DA/A		-0.007		0.005**
		(-0.68)		(2.21)
RE/B		-0.278***		0.000
		(-2.93)		(0.74)
Size		0.168**		-0.043***
		(2.21)		(-4.32)
Largest_holding		0.549		-0.076
		(0.81)		(-1.07)
logAmihud		0.011		0.002
		(0.79)		(0.89)
Turnover		-0.017		0.007**
		(-0.75)		(2.16)
IVOL		1.703		0.283*
		(1.42)		(1.69)
SysVol		-8.565***		-1.434***
		(-3.71)		(-3.52)
Constant	1.344***	-1.198	0.076***	0.820***
	(34.58)	(-0.98)	(35.82)	(5.13)
Observations	22,242	19,056	36,596	32,898
Firm-Event FE	YES	YES	YES	YES
Quarter-Event FE	YES	YES	YES	YES

Table 11.Robustness Checks

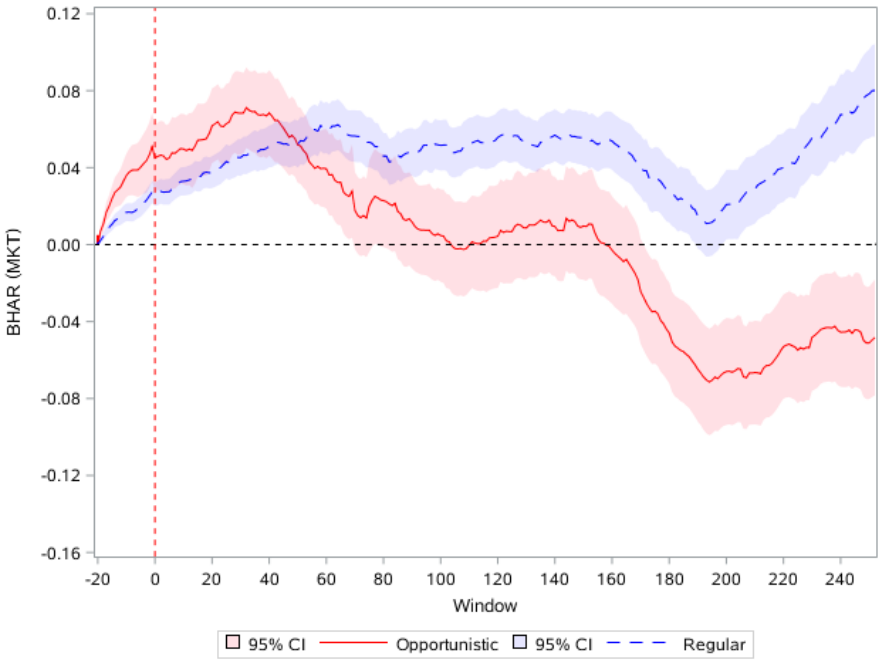
This table presents the robustness checks on the results in Table 2. In Panel A, we calculate the DGTW-adjusted buy-and-hold abnormal returns (BHAR-DGTW), which accounts for the differences in firm characteristics, including size, book-to-market, and momentum. In Panel B, we estimate the regressions in Table 2 using doubly debiased LASSO and report the coefficient estimates of $D_{Opportunistic}$ in columns (2), (4), and (6). For comparison, we also report the estimates of OLS regressions in Table 2 in columns (1), (3), and (5). All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. DGTW-adjusted BHARs						
	(1)	(2)	(3)	(4)	(5)	(6)
Dep var =	BHAR-DGTW (-20, -2]		BHAR-DGTW [-1, 30]		BHAR-DGTW [31, 252]	
$D_{Opportunistic}$	-0.004	-0.004	-0.003	-0.000	-0.107***	-0.093***
	(-0.61)	(-0.71)	(-0.35)	(-0.04)	(-5.75)	(-4.08)
Controls	NO	YES	NO	YES	NO	YES
Observations	2,967	2,937	3,390	3,261	4,143	3,703
Adjusted R^2	0.002	0.016	0.022	0.029	0.036	0.042
Industry FE	YES	YES	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES	YES	YES
Panel B. Double Debiased LASSO						
	(1)	(2)	(3)	(4)	(5)	(6)
Dep var =	BHAR (-20, -2]		BHAR [-1, 30]		BHAR [31, 252]	
	OLS	DDL	OLS	DDL	OLS	DDL
$D_{Opportunistic}$	-0.003	-0.028	0.003	0.016	-0.101***	-0.068***
	(-0.40)	(-0.51)	(0.35)	(0.38)	(-4.68)	(-4.96)
Controls	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES	YES	YES

Figure 1. BHAR and CAR around Opportunistic and Regular Cash Dividends

This figure displays BHAR and CAR around opportunistic and regular dividend events. We define a opportunistic cash dividend if it exhibits any of the four types: (i) lock-up expiration of private placements, (ii) high accruals, (iii) market timing, (iv) block trades before announcement dates, or (v) opportunistic dividend payout ratio, and no cash dividend in the last year. SOEs are excluded. Panel A plots buy-and-hold abnormal returns (BHAR). Panel B plots cumulative abnormal returns (CAR). We report BHAR or CAR for opportunistic dividends by solid red lines and regular dividends by blue dash lines with 95% confidence intervals.

Panel A: Buy-and-hold Abnormal Returns



Panel B: Cumulative Abnormal Returns

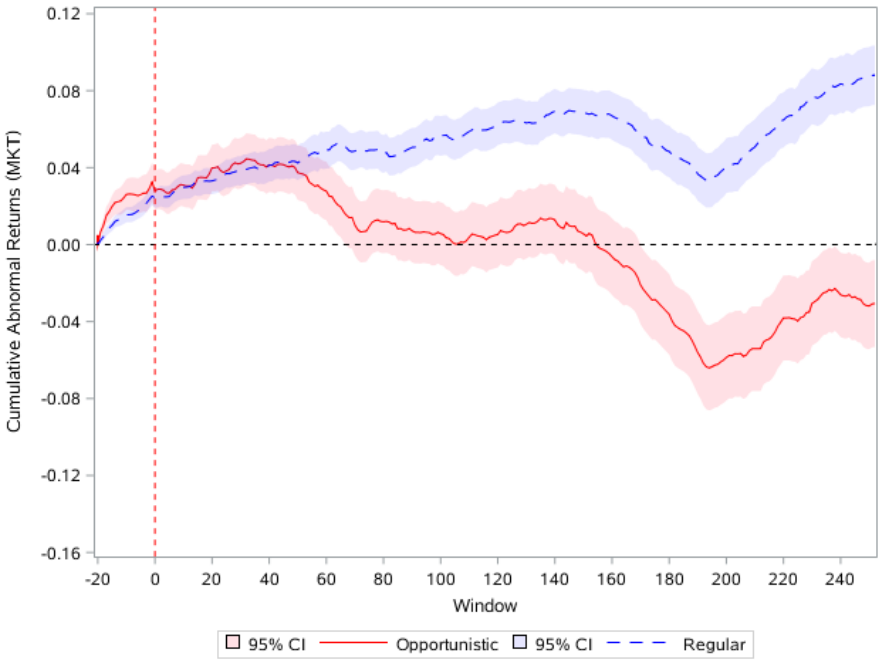
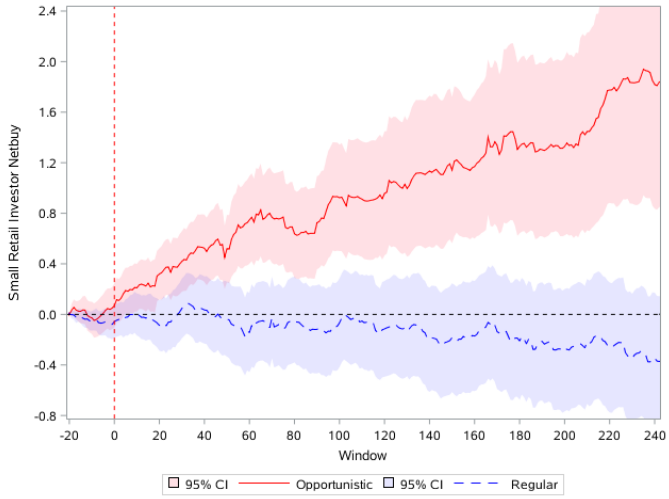


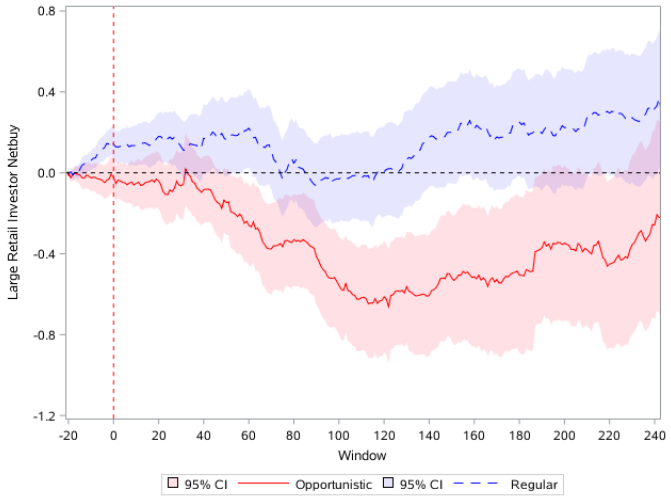
Figure 2. Cumulative Net Buying by Investor Groups around Cash Dividend Payouts

This figure illustrates cumulative net buying by investor groups around opportunistic versus regular cash dividend payouts. Panel A, B, and C plot the cumulative net buying of small retail investors (RT1-4), large retail investors (RT5), and institutional investors. We report net buying for opportunistic dividends by solid red lines and regular dividends by blue dash lines with 95% confidence intervals.

Panel A: Small Retail Investors' Cumulative Daily Net Buy



Panel B: Large Retail Investors' Cumulative Daily Net Buy



Panel C: Institutional Investors' Cumulative Daily Net Buy

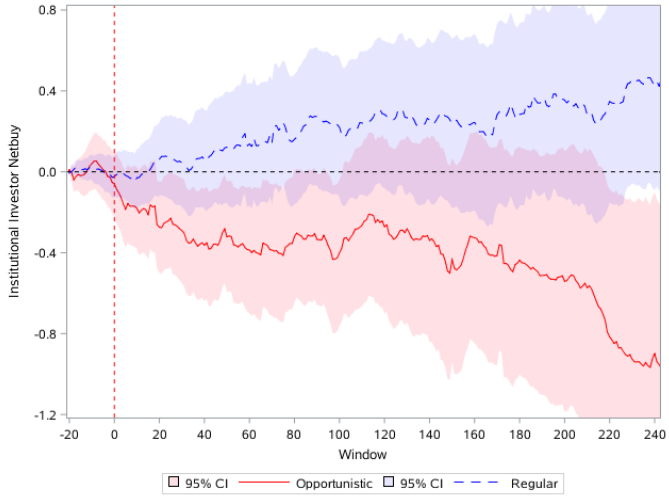
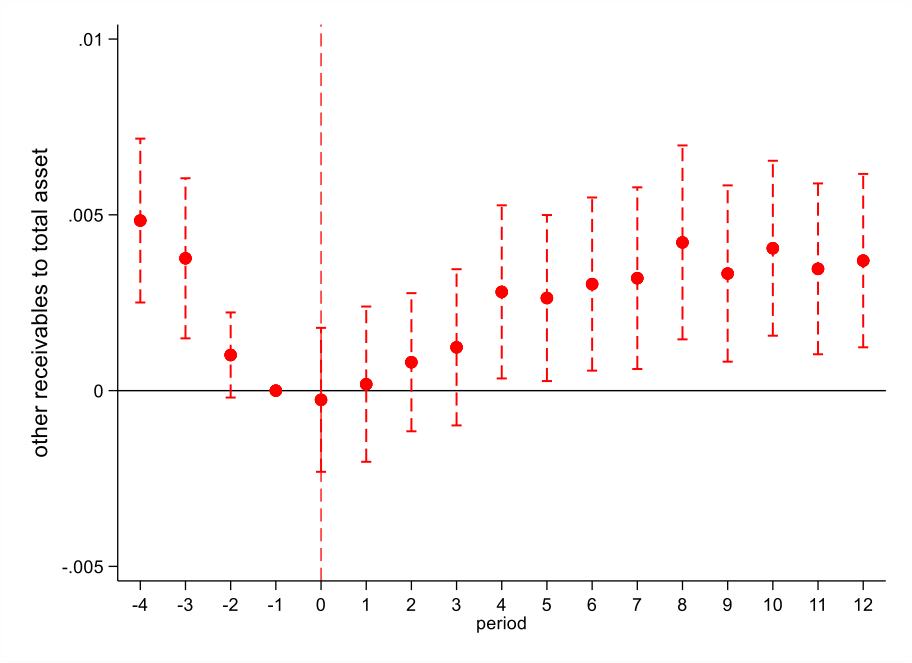
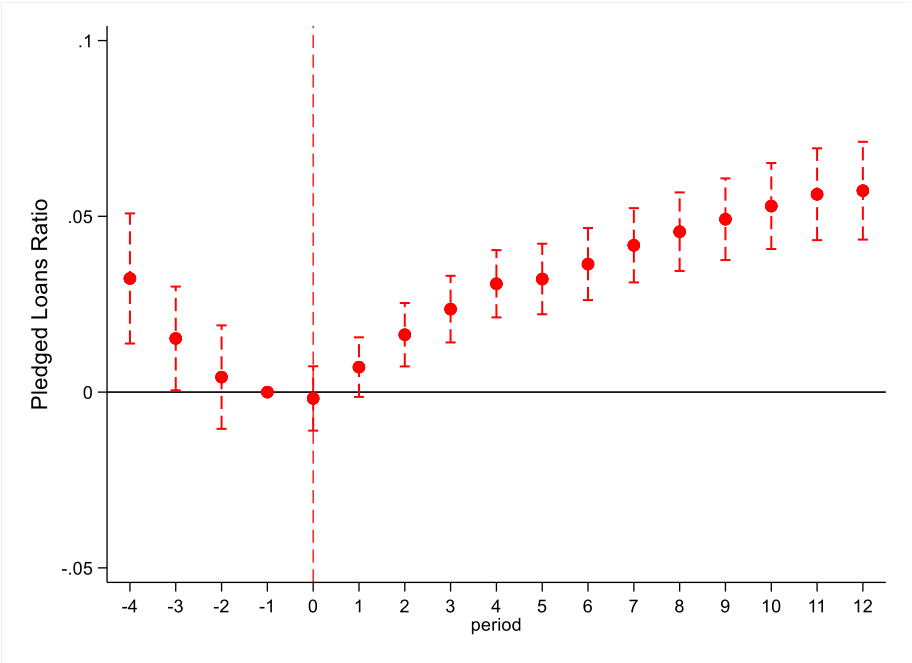


Figure 3. Other Receivables, Pledged Loans, and Connected Transactions around Regular Dividends

This figure reports the other receivables, pledged loans, and connected transactions around opportunistic and regular dividends. Earnings are calculated as the trailing-twelve-month (TTM) net profit attributable to shareholders of the listed company, excluding extraordinary items, divided by the total market value at the end of December in the year prior to the announcement dates. Other receivables is calculated as other receivable scaled by total assets following Jiang et al. (2010). Pledged loans are calculated as the total shares of stock pledged to total shares. Connected transactions are calculated as the total value of connected transactions in a quarter scaled by lagged quarterly total assets. We report difference between opportunistic dividends and regular dividends with 95% confidence intervals.





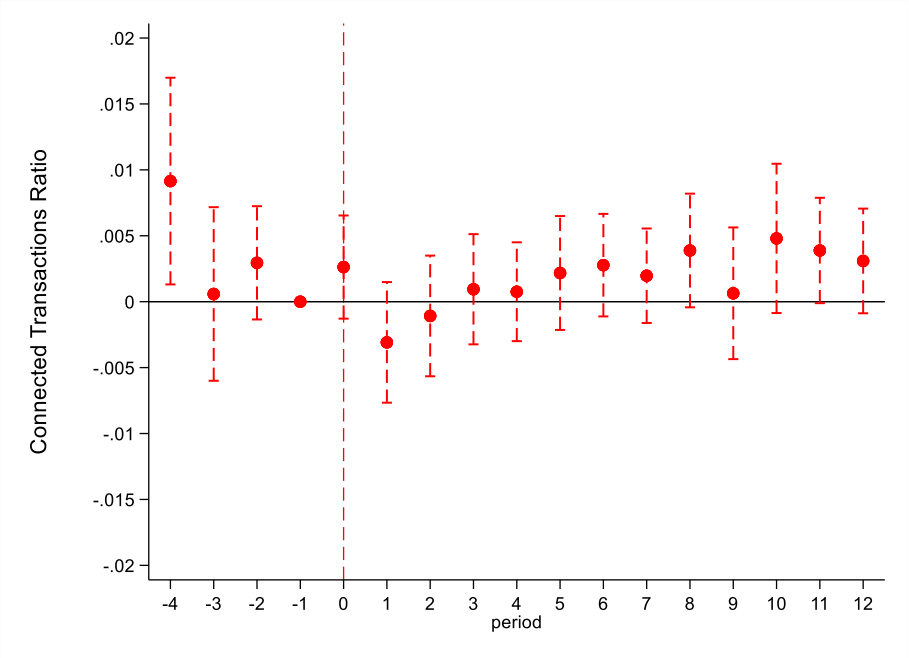
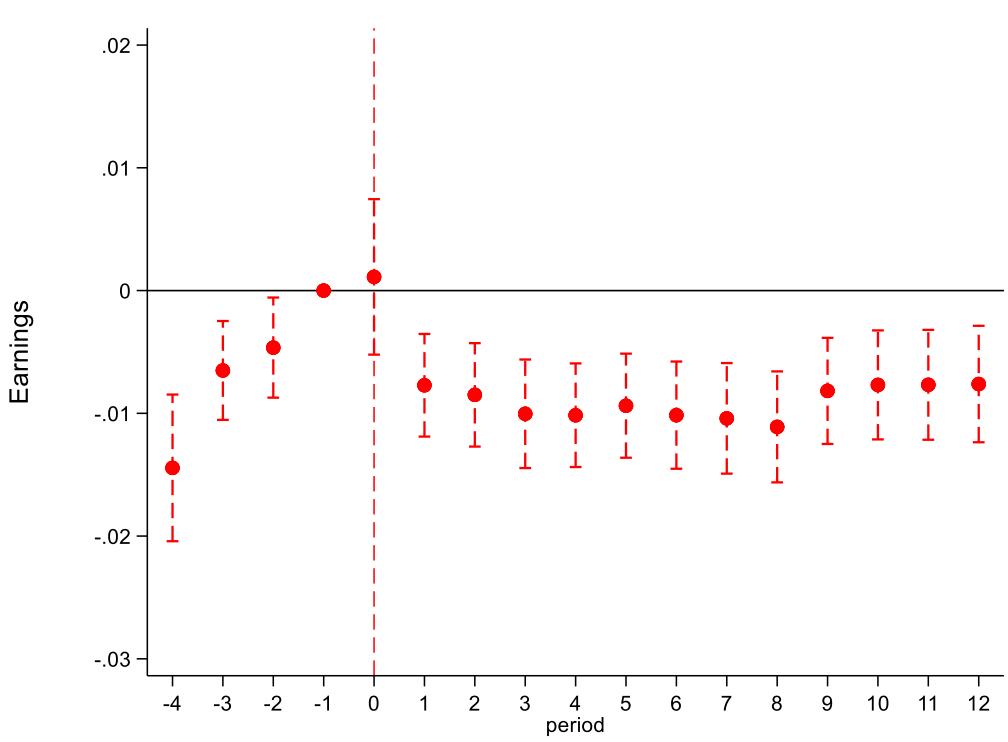

Connected Transactions Ratio
.02
.015
.01
.005
0
-.005
-.01
-.015
-.02
-4
-3
-2
-1
0
1
2
3
4
5
6
7
8
9
10
11
12
period

Figure 4. Earnings Dynamics around Opportunistic and Regular Dividends

This figure reports the earnings dynamics around opportunistic and regular dividends. Earnings are calculated as the trailing-twelve-month (TTM) net profit attributable to shareholders of the listed company, excluding extraordinary items, divided by the total market value at the end of December in the year prior to the announcement dates. We report difference between opportunistic dividends and regular dividends with 95% confidence intervals.



Internet Appendix

Table A1. Dividend Payout Persistence by Types of Opportunistic Dividend

This table estimates the following regressions:

$$D(PayoutNextYear)_{i,t+1} = a + b \times D_{Opportunistic\ Type,i,t} + c \times Controls + \varepsilon_{i,t},$$

where $D(PayoutNextYear)$ is an indicator that equals one if the firm pays cash dividend in the next year. $D_{Opportunistic\ Type}$ equals one if the dividend event is classified as a certain type of opportunistic dividend payout, including Lock-up expiration, High accrual, Market timing, Block trade, and Profit exceeding. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep Var =			D(Payout Next Year)			
Lock-up expiration	-0.012					0.008
	(-0.69)					(0.43)
High accrual		-0.049**				-0.023
		(-2.20)				(-1.05)
Market timing			-0.080***			-0.068**
			(-3.30)			(-2.52)
Block trade				-0.115***		-0.094***
				(-4.78)		(-3.93)
Profit exceeding					-0.116***	-0.097***
					(-3.76)	(-3.11)
E/A	1.663***	1.639***	1.644***	1.624***	1.541***	1.512***
	(10.06)	(9.82)	(9.95)	(9.83)	(9.31)	(9.36)
V/A	-0.005	-0.004	-0.004	-0.005	-0.005	-0.004
	(-1.11)	(-1.02)	(-1.00)	(-1.25)	(-1.21)	(-0.97)
DA/A	0.039	0.044	0.040	0.053	0.046	0.056
	(0.98)	(1.10)	(1.00)	(1.34)	(1.16)	(1.37)
RE/B	0.235***	0.234***	0.233***	0.197***	0.218***	0.184***
	(4.83)	(4.81)	(4.79)	(4.01)	(4.42)	(3.83)
Size	0.019	0.020*	0.018	0.024**	0.021*	0.026**
	(1.57)	(1.70)	(1.46)	(2.06)	(1.74)	(2.23)
Largest_holding	0.050	0.046	0.055	0.028	0.049	0.034
	(1.33)	(1.24)	(1.50)	(0.75)	(1.32)	(0.91)
logAmihud	0.024***	0.025***	0.024***	0.022***	0.026***	0.027***
	(2.78)	(2.88)	(2.82)	(2.62)	(3.01)	(3.03)
Turnover	0.671***	0.725***	0.711***	0.584***	0.769***	0.784***
	(3.78)	(3.95)	(4.18)	(3.44)	(4.22)	(4.01)
IVOL	-0.819	-0.924	-1.096*	-0.705	-0.835	-1.103*
	(-1.32)	(-1.50)	(-1.76)	(-1.18)	(-1.36)	(-1.79)
SysVol	0.756	0.710	0.876	0.771	0.688	0.807
	(1.12)	(1.05)	(1.30)	(1.16)	(1.02)	(1.20)
Constant	0.909***	0.911***	0.938***	0.826***	0.941***	0.904***
	(5.85)	(5.83)	(6.12)	(5.43)	(6.06)	(5.95)
Observations	3,807	3,807	3,807	3,807	3,807	3,807
Adjusted R^2	0.087	0.088	0.091	0.096	0.093	0.102
Industry FE	YES	YES	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES	YES	YES

Table A2. Dividend Persistence for Opportunistic and Regular Dividend Payouts

This table estimates the following regressions:

$$\Delta Div_{i,t+1} = a + b \times D_{Opportunistic,i,t} + c \times Controls + \varepsilon_{i,t},$$

where ΔDiv is calculated as the dividend in the next year less the planned dividend divided by planned dividend, and is winsorized at 1% and 99% level. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)
Dep var =		ΔDiv	
$D_{Opportunistic}$	-0.201***	-0.203***	-0.221***
	(-5.54)	(-4.62)	(-4.63)
E/A		0.043	0.160
		(0.05)	(0.18)
V/A		0.013	-0.000
		(0.95)	(-0.00)
DA/A		0.237	0.182
		(1.49)	(1.12)
RE/B		-0.062	-0.042
		(-0.31)	(-0.21)
Size		0.083**	0.134***
		(2.48)	(2.74)
Largest_holding		0.543***	0.479***
		(4.12)	(3.58)
logAmihud			0.060
			(1.41)
Turnover			0.863
			(1.15)
IVOL			2.768
			(1.10)
SysVol			-3.949
			(-1.39)
Constant	0.332***	-1.191**	-0.639
	(14.65)	(-2.29)	(-0.98)
Observations	4,415	3,774	3,768
Adjusted R^2	0.027	0.032	0.033
Industry FE	YES	YES	YES
DivYear FE	YES	YES	YES

Table A3. Opportunistic Dividends and the Probability of Becoming Specially Treated

This table reports regression results on opportunistic and regular dividends and the probability of becoming specially treated ("ST"). The dependent variables are indicators that equal one if the firm is specially treated in the following one, two, and three years, respectively. Firms currently labeled as "ST" are excluded in this sample. Controls include DA/A, E/A, IVOL, Largest_holding, logAmihud, RE/B, Size, SysVol, Turnover, and V/A. All regressions control for the industry and dividend year fixed effects. T-statistics based on standard errors clustered at the industry-year level are shown in the parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep Var =	ST_{1yr}		ST_{2yr}		ST_{3yr}	
$D_{Opportunistic}$	0.004*	0.006**	0.007**	0.010**	0.008*	0.016**
	(1.81)	(2.13)	(2.01)	(2.09)	(1.79)	(2.52)
E/A		-0.021		-0.079		-0.223***
		(-0.62)		(-1.40)		(-2.73)
V/A		-0.001		-0.001		-0.001
		(-1.04)		(-1.17)		(-0.91)
DA/A		-0.002		0.010		0.011
		(-0.92)		(0.61)		(0.54)
RE/B		0.003		0.005		0.025
		(0.38)		(0.45)		(1.22)
Size		-0.003**		-0.004		-0.004
		(-2.03)		(-1.19)		(-0.81)
Largest_holding		-0.005		-0.017*		-0.038***
		(-0.97)		(-1.71)		(-2.73)
logAmihud		-0.003**		-0.005*		-0.006
		(-2.29)		(-1.85)		(-1.54)
Turnover		-0.022		-0.031		-0.024
		(-0.70)		(-0.58)		(-0.32)
IVOL		0.116		0.265		0.316
		(0.88)		(1.47)		(1.28)
SysVol		-0.050		-0.213		-0.591
		(-0.51)		(-1.10)		(-1.64)
Constant	0.001	-0.009	0.006***	-0.036	0.015***	-0.039
	(1.17)	(-0.54)	(3.92)	(-0.85)	(6.87)	(-0.69)
Observations	3,101	3,014	3,100	3,013	3,096	3,009
Adjusted R^2	0.052	0.047	0.023	0.039	0.026	0.030
Industry FE	YES	YES	YES	YES	YES	YES
DivYear FE	YES	YES	YES	YES	YES	YES