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Table 1: Measurement of Independent variables

Variables	Measures	Sign	Theoretical Justification
Overall Leverage (LEV)	Ratio of book value of total debt to total assets		
Long-term Leverage (LTLEV)	Ratio of book value of long term debt to total assets		
Within –Firm Governance Variables:			
CEO Duality (CEO)	CEO as chair =1; Otherwise= 0	+/-	Agency Theory
Ownership Concentration	Percentage of shares held by top 5 shareholders	+	Agency Theory
Independent Director (IND)	Number of independent director divided by the number of board membership	+/-	Agency Theory
Control Variables:			
Profitability (ROA)	Earnings before interest and tax divided by total assets	+/-	Pecking order
Firm Size (SIZE)	Natural logarithm of total assets	+/-	Pecking order/Trade-off
Growth Opportunities (GROWTH)	Tobin's Q is market to book ratio of total assets. Market value of total assets is book value of total liabilities plus market value of equity	+	Trade-off/Signalling
Tangibility (TANG)	ratio of tangible assets (the sum of fixed assets and inventories) to total assets	+/-	Pecking order/Trade off
Earnings Volatility (VOL)	Standard deviation of earnings before interest and tax	+/-	Trade off
Non-Debt Tax Shields (NDTS)	Depreciation and amortization divided by total assets	+	Trade –off
Split Share structure reform	Dummy variable value taking of 1= 2005-2009; 0 = otherwise		

Table 2: Descriptive statistics and correlation Matrix

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1.LEV	0.532	0.91467										
2. ROA	2.1588	2.9839	-0.0067									
3. Asset tangibility	0.4638	0.1796	0.234**	-0.0262*								
4. Firm size	21.3725	1.3049	0.318**	-0.0876**	0.1869**							
5. Earnings Volatility	8.9133	1.6665	-0.0065	-0.0004	-0.0059	-0.0033						
6. Non-debt tax shield	0.0570	2.1988	-0.0093	0.6721**	-0.0353**	-0.1248**	-0.0007					
7. Growth opportunities	4.8735	0.9357	0.0049	0.0001	-0.0022	0.0084	0.0006	0.0000				
8. Independent director %	0.3515	0.0538	0.0145	0.0110	-0.0375**	0.0189*	0.0230*	0.0045	0.0030			
9. Duality/ CEO (=1)	0.0006	0.0241	-0.0061	-0.0003	-0.0260	-0.0190	-0.0010	-0.0005	-0.0005	-0.0160		
10. Ownership concentration	38.4129	16.1825	0.0506**	-0.0148	0.0978**	0.2573**	-0.0074	-0.0200	-0.0130	-0.0430**	-0.0137	
11. Split share structure	0.4246	0.4943	-0.0271*	-0.0097	0.0587**	-0.0242*	-0.0051	0.0019	0.0121	0.0289**	0.0125	-0.0448**

Note: LEV = overall leverage; ROA = return on assets; Mean and standard deviations
* (**) indicates correlation is significant at the 0.05(0.01) level (two-tailed, Pearson).

Table 3: Determinants of capital structure of Chinese Firms (1998-2012)

Independent Variables	Pooled OLS	Fixed Effect
ROA	2.13E-06 (7.68E-06)	-5.53E-07 (6.54E-06)***
Growth Opportunities (Tobin's Q)	7.89E-07 (1.45E-06)	-3.69e-07 (1.23E-06)
Asset tangibility	0.127779 (.0072405)***	.05431 (0.0077)***
Firm size	1.42E-10 (4.23E-11)***	1.21e-10 (9.47E-11)***
Earnings Volatility	-3.14E-08 (8.44E-08)	2.68e-09 (7.67E-08)
Non-debt tax shield	0.0001459 (.0008167)	0.000139 (0.00070)
Split share reform	-0.0291285 (0.003057)***	-.0199986 (0.0028)***
Independent directors	0.0258802 (0.0208005)*	0.0161625 (0242632)***
CEO Duality	-0.0302463 (0.0029928)***	-0.0078555 (0.004)***
Ownership concentration	-0.0000287 (0.0000678)**	-0.0004399 (0.00011)***
Constant	-0.6814598 (0.0481277)***	-.5861278 (0.0455)***
Firms/observations	2386 / 14886	2386 / 14886
Adjusted R	0.1308	0.1298
F statistic	39.39***	31.93***

Notes: Dependent variable is Long-term leverage (LTLEV). The standard errors robust to heteroscedasticity are reported in the parentheses. (*), (**) and (***) indicates that the coefficients are significant or the relevant null is rejected at the 10, 5 and 1 percent level, respectively. All specifications include the full set of time and two-digit industry dummies.

Table 4: Dynamic GMM Results: Determinants of Capital structure

Independent Variables	System GMM
L. LTLEV	0.7872 (0 .0254)***
ROA	-7.28E-07 (2.39E-07)***
Growth Opportunities (Tobin's Q)	1.39E-07 (1.51E-07)
L. Growth opportunities (Tobin's Q)	3.67E-07 (2.21E-07)
Asset tangibility	0.02412 (0.0075)***
Firm size	2.46E-11 (1.70E-11)***
Earnings Volatility	-9.50E-09 (1.57E-08)
Non-debt tax shield	9.47E-07 (0.000368)
L. Non-debt tax shield	0.0000867 (.0000492)*
Independent directors	0.0174638 (.0155319)**
CEO Duality	-8.79E-06 (.0000874)
Ownership concentration	-0.0087401 (0.0017983)**
Split Share Reforms	-0.048612 (0.0027434)**
Constant	0.0014034 (.0085862)
Firms/observations	2347/13397
Wald Test	3332.5***
AR(1)	-7.9153***
AR(2)	-074387 (04570)
Sargan test (p)	110.8618***

Notes: Dependent variable is Lag Long-term leverage (LTLEV). The standard errors robust to heteroscedasticity are reported in the parentheses. Wald statistic tests the joint significance of estimated coefficients; asymptotically distributed as χ^2(df) under the null of no relationship. AR(1) and AR(2) are the first and second order autocorrelation of residuals, respectively; which are asymptotically distributed as N(0,1) under the null of no serial correlation. Sargan Test is the test of over identifying restrictions, asymptotically distributed as χ^2(df) under the null of instruments' validity. We tested for the endogeneity of firm-specific factors and corporate governance using the 'Difference-in- Sargan-Hansen" statistic, for which the null hypothesis states that the variable is exogenous. (*), (**) and (***) indicates that the coefficients are significant or the relevant null is rejected at the 10, 5 and 1 percent level, respectively.

Table 5: Dynamic GMM Results: Determinants of capital structure of Chinese SOE versus POE

	SOE	POE
L. LTLEV	0.6140461 (0.022691)***	.5771507 (.0150691)***
ROA	-0.0122184 (0.0034258)***	-1.51e-07 (4.32E-07)
Growth Opportunities (Tobin's Q)	7.33E-06 (7.76E-06)	-7.73e-08 (1.53E-07)
L.Growth Opportunities (Tobin's Q)	1.93E-07 (7.40e-06)	7.77e-08 (3.22E-07)
Asset tangibility	-0.0002792 (0.0124747)	.0240223 (0.0183301)
Firm size	-1.45E-10 (1.58E-10)***	1.55E-10 (3.53E-10)***
Earnings Volatility	1.69E-08 (1.10E-08)	1.80E-07 (5.59E-07)
Non-debt tax shield	-0.1844096 (0.059953)	0.0000911 (0.0000921)
L.Non-debt tax shield	-0.2765249(0.1154917)	0.0000586 (0.0001445)
Split share reforms	-0.0099948 (0.0066138)***	-0.0071033 (0.00383)**
Independent directors	0.0214613 (0.024878)	0.0226501 (0.0319838)
CEO Duality	-0.0010139 (0.0050585)	-0.00172 (0.0043819)
Ownership concentration	-0.003246 (0.000218)***	0.004251 (0.0002624)
Constant	0.026573 (.0154674)*	-.013267 (0.0173989)***
Wald	1070.48***	6.82E-08 ***
AR(1)	-9.6451***	-3.9317 **
AR(2)	1.6321(0.1027)	-0.27111 (0.7863)
Sargan test (p)	108.3519***	149.9861 ***
Firms/observations	1174 /8008	1342 / 5114

Notes: Dependent variable is Lag Long-term leverage (LTLEV). The standard errors robust to heteroscedasticity are reported in the parentheses. Wald statistic tests the joint significance of estimated coefficients; asymptotically distributed as χ^2(df) under the null of no relationship. AR(1) and AR(2) are the first and second order autocorrelation of residuals, respectively; which are asymptotically distributed as N(0,1) under the null of no serial correlation. Sargan Test is the test of over identifying restrictions, asymptotically distributed as χ^2(df) under the null of instruments' validity. We tested for the endogeneity of firm-specific factors and corporate governance using the 'Difference-in- Sargan-Hansen" statistic, for which the null hypothesis states that the variable is exogenous. (*), (**) and (***) indicates that the coefficients are significant or the relevant null is rejected at the 10%, 5% and 1% level, respectively.