A Study on Internet Chinese Companies' Response to "The Holding Foreign Companies Accountable Act"

--Taking Ctrip, Baidu and BILIBILI as Examples

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Abstract. At the beginning of the 21st century, a large number of Chinese companies went public in the United States due to many advantages such as easier access to financing, better corporate governance structure, and different listing conditions. However, in January 2020, with the disclosure of a short-selling report on Luckin Coffee's year-long financial data falsification and fraud, Luckin Coffee's trading was officially suspended on NASDAQ in June 2020, accompanied by a high level of concern from international capital markets about Chinese stocks. Within the following year, the US Senate introduced the Foreign Company Accountability Act, which tightened securities market regulations at the legal level and raised the threshold for companies from "unenforceable inspection" regions, including China, to list in the US. Data shows that more than 90% of the listed companies facing mandatory delisting as a result of the Foreign Company Accountability Act are Chinese companies. This paper provides a preliminary behavioral analysis of Chinese stocks by examining the paths taken by several Chinese stocks in response to the conflicting effects of the Foreign Company Accountability Act and the Chinese corporate system, and the subsequent results achieved.

Keywords: Internet Chinese Companies, The Holding Foreign Companies Accountable Act, Event Study.

1 Introduction

The Holding Foreign Companies Accountable Act (later referred to as the HFCAA is a bill passed by the US Congress in 2020. This act aims to protect US investors from violations of the HFCAA is a bill passed by the US Congress in 2020 to protect US investors from foreign companies that violate the US Securities and Exchange Commission (SEC) and prevent fraud by mandating that foreign companies be

V. Gaikar et al. (eds.), *Proceedings of the 2023 3rd International Conference on Financial Management and Economic Transition (FMET 2023)*, Advances in Economics, Business and Management Research 262,
https://doi.org/10.2991/978-94-6463-272-9_11

audited by the US and disclose their relationship with the Chinese government. For Chinese stocks, the Act will have significant regulatory and audit implications.

Firstly, it requires companies that are listed in the US for earnings audits to have no way for the PCAOB to fully review the work product, drafts and audit quality systems of accounting firms outside of the US, and that has no way to demonstrate that they are not controlled by the government and that the year will be considered "Year Not Examined". Secondly, the issuing company should disclose information such as the political affiliation of the board of directors and the relationship of the accounting firm with the government when it is rated as a "year not reviewed". Lastly, if an issuer has been listed as "not reviewed for the year" for three consecutive years, the SEC will prohibit the issuer from issuing outstanding securities on all US exchanges, including the over-the-counter market.

The most significant risk to Chinese stocks arising from the above HFCAA is the risk of delisting and disclosure of Chinese stocks. The SEC's requirement to disclose the political affiliation of board members significantly increases the risk that a Chinese company will have to be delisted due to China's ongoing prohibition on direct depositions by foreign securities regulators in the country. Also for Chinese stocks of an internet nature, in order to comply with China's Cybersecurity Law, important data needs to be stored on servers in mainland China, which is also contrary to the information disclosure required by the HFCAA. In addition to these risks, Chinese companies face the risk of class action lawsuits if they are shorted by foreign institutions, the risk of significant compliance costs associated with adjusting accounting standards in accordance with the PCAOB due to the differences between Chinese and US corporate accounting standards, and the risk of disruption to the financing process for companies in the IPO stage.

This study adopts a multi-case study approach, aiming to investigate the differences in the short-term economic effects of different Internet Chinese companies choosing different or the same path to return to Hong Kong for secondary listing to address the risk issues arising from HFACC, and to analyze the issues arising from the impact of internal and external factors. The case companies selected for this paper are Ctrip, Baidu and BILIBILI, which are all leading Chinese Internet mid-cap companies and therefore have more significant reflective characteristics of the impact caused by HFACC. They also have different business segments in the Internet industry and have more comprehensive business coverage in the Internet industry segments. Together with the large differences in market capitalization of these three companies, it is convenient for this paper to analyze the general impact of HFACC in this way.

Based on this, this paper uses the three groups Ctrip, Baidu and BILIBILI as relevant case studies to conduct an in-depth study of their abnormal stock yield fluctuations, differences in motivation and paths to secondary listing in Hong Kong, related market reactions and changes in financial effects.

2 Literature Review

2.1 Research on Overseas Listing of Enterprises

Overseas listing, also known as "cross-border listing" and "offshore listing", refers to the act of an enterprise going public in a securities market outside its home country (i.e. overseas market) and issuing shares to overseas investors. Errunza and Miller suggest that overseas listing is effective in reducing the cost of capital by reducing barriers such as high transaction costs, information asymmetry and differences between different capital markets [1]. Abdallah finds that overseas listings significantly increase a firm's stock turnover, further reducing bid-ask spreads and the cost of capital [2], and Sun and Tong find that increasing firm valuation and raising capital can be achieved by limiting controlling shareholders and listing in more tightly regulated capital markets [3]. When Li Gang studied the motivation of Chinese internet companies to list overseas, he suggested that relevant internet companies, rationally approach the decision to list overseas and not blindly follow the trend [4].

2.2 Research Related to the Return of Chinese Stocks

The return of Chinese stocks is the result of a combination of forces. Firstly, the SEC passed the HFCAA, in response to which Ma, Ma, Yinglong Zheng and Le Cheng found that the HFCAA was heavily political and that the development of Chinese stocks in the US would face great uncertainty [5]. Zhang Weihua and Hu Jing study the delisting pressure on Chinese stocks and find that the introduction of the HFCAA has increased the delisting pressure on Chinese stocks and prevented Chinese companies from listing in the US in a normal manner [6]. Secondly, the pressure of barriers to domestic listings has been further reduced, with He Yingxin noting that domestic listing policies continue to improve, creating conditions for US mid-cap stocks to shift to non-US stock exchanges for re-listing [7]. Williams examines the case of Endeavour Mining's acquisition and finds that secondary listings enhance stock liquidity and optimize corporate governance [8]. The entry into force of HKEx's newly amended Listing Rules, which lower the threshold for companies to list in Hong Kong as well as the opening up of same-share different rights listing, facilitates the listing of Chinese stocks in Hong Kong. Ba Shu Song conducted a comparative study of the listing-related regulations and key aspects of the mainland capital market and the Hong Kong capital market and concluded that it is relatively less difficult to return to the Hong Kong market [9]. By studying Jingdong's secondary listing in Hong Kong, Wu Rainbow finds that Jingdong's corporate strength has been effectively improved after the secondary listing, and it has also demonstrated a good BILIBILI try to grow [10].

3 Case Description

3.1 Introduction of Ctrip Group

In 1999, Liang founded Ctrip after being influenced by the US Expedia venture, which is headquartered in Shanghai, China. On 30 December 2003, Ctrip successfully listed on NASDAQ with a public offering of 5.7 million American Depositary Shares (ADS) priced at US$36 per share. According to data compiled by the Forward-looking Economist, Ctrip's total transaction volume (GMV) reached RMB865 billion in FY2019, up 19.3% year-on-year, continuing to be the number one in the global online travel industry. Ctrip has since taken a leading position in all segments of the industry to which Chinese tourists travel.

3.2 Introduction of Baidu Company

Founded in 2000, Baidu was listed on the NASDAQ National Market (later renamed NASDAQ Global Market) in the United States (BIDU) on 5 August 2005 with a market capitalization of US$3,958 million. with a secondary listing on the Hong Kong Stock Exchange (9888. HK) in March 2021 with a market capitalization of over HK$700 billion, Baidu is currently one of the few companies in the world to offer a complete AI stack One of the From its humble beginnings as a search engine platform, it is now a leading artificial intelligence company with a strong Internet foundation, integrating AI capabilities into its products and services, continuing to innovate and develop new technologies and products, and building a diversified portfolio of products and services to improve the Baidu search user experience.

3.3 Introduction of BILIBILI Company

BILIBILI Co., Ltd. was first established by Xu Yi on 26 June 2009 as its predecessor Mikufans website and later renamed as BILIBILI website on 24 January 2010. on 28 March 2018, BILIBILI was listed on NASDAQ (BILIBILI) in the United States with an opening price of US$9.8. According to BILIBILI Group's publicly released 2022 financial results its four main businesses: mobile games, value-added services, advertising and e-commerce and others. Mobile games revenue was RMB5 billion, value-added services revenue was RMB8.7 billion, advertising revenue was RMB5.1 billion and e-commerce and others revenue was RMB3.1 billion.

4 The Impact of the Bill's "Pre-delisting" List on Businesses

From the above background overview, it is clear that Chinese stocks that have not met the PCAOB accounting disclosure requirements for three years will be officially listed by the SEC as "pre-delisting" companies, which means that the risk of delisting of Chinese stocks by mandatory suspension is very likely to become a reality.

The Cumulative Abnormal Return from the regression analysis is negative for all three Chinese stocks. This means that the introduction of the SEC's "pre-delisting" list for the three companies through the HFCAA regulations will cause a more severe drop in stock returns for the Chinese stocks in the short term.

In terms of stock price declines, Ctrip fell from a closing price of $23.54 to $19.62 over the next five trading days, an average daily decline of 3.5%; Beili Beili closed at $23.30 and fell to $19.01 over the next five trading days, an average daily decline of 3.7%; and Baidu fell from a closing price of $147.22 to $132.76 over the next three trading days The average daily decline is 9.8%.

On a consolidated basis, Ctrip, Beeper and Baidu's shares have all declined significantly since being placed on the "pre-delisting" list. This was due to the negative market sentiment caused by the enactment and implementation of the HFCAA, which signaled that the previously predicted significant suspension risk for Chinese stocks could become a reality.

5 Analysis of Secondary IPOs in Hong Kong

5.1 Motivations for the Secondary Listing of Ctrip, Baidu and BILIBILI

Although the three Internet mid-cap companies selected for study in this paper are all in the context of the negative impact of the HFCAA, there are differences in the timing of the secondary listing, the stage of development of the companies and the internal business conditions of the companies, as well as the impact of the external environment on the Chinese stocks as described in the previous section. Therefore, this paper focuses on the internal motivations of Baidu, Ctrip and BILIBILI for their secondary listing in Hong Kong, and compares the advantages and disadvantages of their return paths to explain the strategic implications of their choice of secondary listing.

Troubled Business Operations.

This factor is mainly reflected in BILIBILI and Ctrip. Three years before the secondary listing in Hong Kong, BILIBILI's operating revenue grew from RMB 1.155 billion in 2018 to RMB 3.840 billion in 2020, an increase of 232%, but BILIBILI has still not turned a profit, and even the net loss is still expanding, with BILIBILI's RMB 565 million in 2018, the loss expanding to These losses are mainly due to the increase in BILIBILI operating costs and operating expenses. According to Ctrip's annual report, Ctrip's operating profit for 2018 and 2019 was $2,605 million and $5,040 million respectively, while still falling to -$1,411 million in 2020 when operating costs were scaled back by almost 50%, mainly due to a sharp drop in business revenue as a result of the travel ban during the New Crown epidemic. Therefore Beep and Ctrip are hoping to raise capital to fund their activities and increase their capital reserves.

Excessive Corporate Debt.

This factor is mainly reflected in BILIBILI, due to BILIBILI's long-term loss-making operation status, the cash flow generated from operating activities is not sufficient to maintain BILIBILI's operating activities, therefore, between 2018 and 2020, BILIBILI made short-term borrowings and issued convertible notes, and by the end of 2020, the gearing ratio has reached as high as 67.39%, the above financing actions have satisfied BILIBILI in the short term However, in the face of increasing debt servicing pressure, BILIBILI still hopes to obtain funds for its activities and increase its capital reserves through financing.

Corporate Strategic Development.

Analyzing the 2020 financial reports of the three enterprises, it can be seen that Ctrip's overseas business profit accounted for about 7.1%, Baidu's overseas business profit accounted for about 14.63%, and BILIBILI's overseas business profit accounted for 13.16%, so the main market of the three enterprises is still the domestic market, and the secondary listing in Hong Kong also shows that the three enterprises hope to reduce information asymmetry by choosing a listing place closer to the target market, so as to obtain more The second listing in Hong Kong also shows that the three companies hope to reduce information asymmetry and gain more favor from investors and customers by choosing a listing place closer to their target markets, which is conducive to their future development plans.

5.2 Differences in Path to Listing

There are three main routes to listing in Hong Kong, respectively: post-privatization delisting, secondary listing and dual primary listing.

Secondary listing has a number of advantages and is therefore preferred by companies. Typical examples include the listing of Joincare Pharmaceutical Group Industry on the SIX and the secondary listing of NIO in Singapore. Baidu and Ctrip both opted for secondary listings, and Bilibili responded to the policy by becoming the first company to convert to a dual primary listing under the new regulations on 3 October 2022.

5.3 Stock Market Reaction after Secondary Listing

Introduction to the Model.

In this paper, we consider that Ctrip, BILIBILI and Baidu have sufficient historical data for the short-term event study method required in this paper, so we use the Market Model for the event study. The model can be expressed as

$$AR_{i,t} = R_{i,t} - (\alpha_i + \beta_i R_{m,t}) \tag{1}$$

Where (abnormal return) can be expressed as the actual return of the stock, and then represents the return of the stock predicted by the market return under the Market Model, which includes excess returns and market-based risk. The market return used in this paper is the NASDAQ Internet Index (QNET.O) on the grounds that it more adequately tracks the performance of NASDAQ sector Internet companies engaged in various online activities and that this index is a standard indicator of the performance of all companies in the sector.

The event study method data for this thesis were obtained from the Wind database, and the respective returns of Ctrip, BILIBLIII, Baidu and the NASDAQ Internet Index for 106 US stock trading days from the respective event windows were selected as the database for the analysis.

Short-term Capital Market Reactions in US Equities.

In order to study the stock price return volatility of each of the three Chinese stocks in their original listing market after their secondary listing in Hong Kong, as a way to analyze the fluctuation of investment sentiment of US stock investors towards secondary listing of Chinese stocks, this paper will conduct an event under US stock return for Ctrip, Baidu and BILIBLIII, which will be secondary listed in Hong Kong on 19 April 2021, 24 March 2021 and 29 March 2021 respectively. research method regression analysis. In this stage, the event study method uses the Market Model for regression analysis, with the event window set at (-3,3) and the estimated window considered to be fifty trading days before the event. The regression analysis is based on the above equation and results in:

Table 1. Secondary listing event study method data

Company	Excess returns α	Market-based risks β	Cumulative abnormal return （CAR）	Goodness of fit	
				R^2	Adjust R^2
Ctrip	0.150 t=0.43	0.503 t=2.78	9.557	0.139	0.121
Bilibili	0.74 t=-0.18	1.694 t=5.25	5.785	0.365	0.352
Baidu	0.498 t=0.91	1.989 t=7.43	-23.398	0.535	0.525

Observing the results from the regressions in Table 1, Ctrip's cumulative abnormal return (CAR) over the event window reached nearly 9.56%, and preliminary observations can suggest that US investors perceive a positive effect of Ctrip's secondary listing in Hong Kong on the firm. However, Ctrip's fit to the market model is poor, with R^2 of only 13.9%. The reason for this phenomenon is that Ctrip, as a travel and tourism service website, has been affected by the domestic policy of controlling the new crown pneumonia epidemic, which has had a huge impact on its turnover, falling sharply from US$2,444 million in mid-2019 to US$1,144 million in mid-2020 and US$1,450 million in mid-2021, down 53.2% and 40.6% respectively from the 2019 base period. Because of this, Ctrip has a market-based risk beta of only 0.5 in the market model, which also means that its stock returns are much lower than the rest of the NASDAQ Internet sector over the same period. Therefore, the analytical data for Ctrip has limited reference value.

For Bilibili, it has a cumulative abnormal return (CAR) of nearly 5.78% during the event window and the fit of its regression model is over 35%, implying that the market model can partially reflect the US market return of Beeper. Therefore, this paper can tentatively conclude that US stock investors have a positive market reaction to Bilibili's secondary listing in Hong Kong.

Clearly, Baidu has the highest goodness of fit in the regressions of the three Chinese stock market models, with both R^2 and adjusted R^2 above 0.5. As seen in Table 1, Baidu's cumulative abnormal return (CAR) over the event window is near -23.40%, and there is also a clear persistent fall in Figure 2. It can therefore be argued that US stock investors had a negative market reaction to the event of Baidu's secondary listing in Hong Kong. This paper argues that there are three reasons for the negative sentiment among US investors toward the secondary listing of Chinese stocks in Hong Kong: (i) market risks abound: the process of secondary listing of Chinese stocks in Hong Kong may face a variety of policy, regulatory and market risk factors, such as the difficulty of approval, financial transparency, political environment, monetary policy, etc. (ii) Widespread distress of Chinese stocks: As time goes by, more and more Chinese companies are in distress due to financial fraud and irregular business practices, investors may have a certain degree of caution and suspicion about secondary listing of Chinese stocks. (iii) Impact of the global epidemic: This event comes at a critical time in the global epidemic outbreak and the global economy is in a state of uncertainty. This may lead to a reduction in investors' willingness to invest in risky assets.

5.4 Hong Kong Capital Market Reaction.

SharePrice Analysis.

On 8 April 2021, Ctrip released the Global Offering proposal on the Hong Kong Stock Exchange. The announcement stated that the number of shares in Ctrip's Global Offering would be 31,635,600 shares with a par value of US$0.00125 each. As for the Hong Kong share price, Ctrip's single share was priced at HK$268 at the opening of trading on 19 April 2021. The subsequent experience of two months continued to maintain a reasonable fluctuation range of around HK$280, which shows that Ctrip's share price in the US is not inflated.

On 18 March 2021, Bilibili released the Global Offering proposal on the Hong Kong Stock Exchange. The announcement stated that the number of shares in the Bilibili's Global Offering would be 25 million shares with a par value of US$0.0001 each. The Hong Kong share performance of Bilibili was even brighter, rising from HK$800 per share on the offering date to HK$941.6 per share after January, a total monthly gain of 17.7% since the secondary listing on March 29, 2021.

On 12 March 2021, Baidu released the Global Offering proposal on the Hong Kong Stock Exchange. The announcement stated that the number of shares in Baidu's Global Offering was 95,000,000 shares with a par value of US$0.000000625 each. On the contrary, the change in Baidu's share price was not positive. On the day of the offering, Baidu's share price was HK$251.93 per share, but continued its volatile decline in subsequent operations until it reached an interval low of HK$175.72 per share on 14 May 2021, a decline of over 30%. It can be seen that the market price of Baidu's shares on the day of listing was inflated in the US, and therefore a more significant fall occurred in both Hong Kong and US shares after the secondary listing was conducted.

Overall, in terms of share price volatility, both Ctrip and Beeper showed more optimistic short-term stock volatility, with Hong Kong investors showing a positive attitude towards both companies returning for secondary listings. Baidu, on the other hand, saw its net profit fall by nearly 25% year-on-year due to poor financial performance in the first quarter of 2021, which, coupled with the overall decline in US tech stock prices, led to a more pronounced drop in its Hong Kong market price.

Volume Analysis.

As can be seen in Figure 1, the stock turnover of Ctrip, Baidu and Bilibili has continued to increase in the following six quarters after their secondary listing in Hong Kong in the second quarter of 2021. For the fourth quarter of 2022, using the total turnover of the third quarter of 2021 as the base period, Ctrip's fixed-base turnover increased by more than six times, Baidu's fixed-base turnover increased by approximately one time and Bilibili's fixed-base turnover increased by approximately four times. This shows that investors in the Hong Kong stock market have continued to be enthusiastic about investing in all three Chinese stocks. In particular, turnover growth was more significant for Bilibili and Ctrip, which have relatively smaller market capitalization, reflecting the active trading and more positive performance of Ctrip and Bilibili stocks.

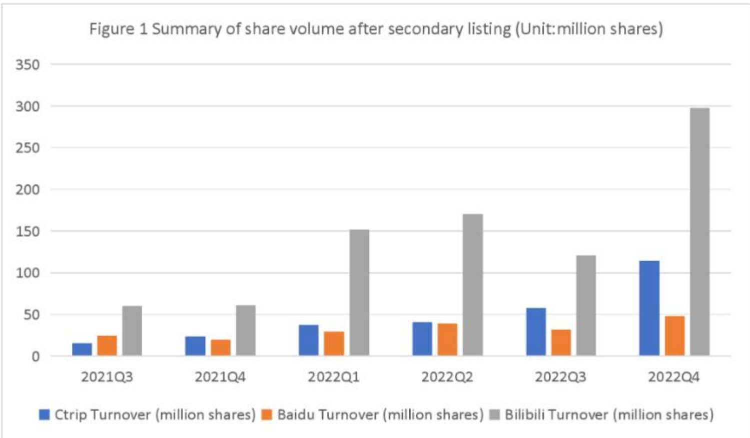

Fig. 1. Summary of share volume after secondary listing (Unit:million shares)

5.5 Analysis of Financial Effects

Debt-paying Ability Analysis.

The debt level of a company can reflect its dependence on external funding and measure the debt risk faced by the company; at the same time, higher debt-paying ability is not only a hard guarantee for business operations, but also conducive to sustaining the economic growth of the company. Table 2 shows that Ctrip's current ratio and acid-test ratio are at their highest point in 2022, while Baidu and Bilibili are at their highest point in 2021. The current and acid-test ratio of all three companies in 2021, the year of their secondary listing in Hong Kong, have increased somewhat compared to 2020, the year prior to the secondary listing, and cash and cash equivalents have also increased slightly, indicating that the secondary listing has raised more capital through the issuance of new shares. Figure 2 shows that the trend of Baidu's three indicators is basically the same, indicating that the ratio of Baidu's monetary capital to current assets is relatively stable, with relatively sufficient liquidity, and the effect of the secondary listing in Hong Kong is obvious.

In this paper, two financial indicators, debt to asset ratio and equity ratio, are selected to analyze the long-term debt-paying ability of Ctrip, Baidu and Biibili companies before and after their return to Hong Kong shares. The debt to asset ratio of all three groups decreased slightly in 2021 after their secondary listing in Hong Kong. As can be seen from Table 2 and Figure 2, Ctrip's debt to asset ratio at the end of its IPO in 2021 was 0.42, a decrease of three percentage points from 0.45 at the end of 2020. The same goes for Baidu. The difference is that Bilibili's debt to asset ratio will increase in 2022. Overall, the three companies' debt to asset ratios do not change significantly. According to Table 2, the equity ratios of the three groups have decreased by 4, 5 and 4 percentage points respectively in 2022 compared to the year they went public in Hong Kong in 2021, indicating an increasing ability to the long-term debt-paying ability.

In a comprehensive analysis, Ctrip, Baidu and Bilibili have enhanced their short-term and long-term debt-paying ability after their secondary listing in Hong Kong, indicating that secondary listing in Hong Kong has a positive effect on the improvement of debt-paying ability.

Table 2. Debt-paying ability for Ctrip, Baidu and Bilibili

	Ctrip			Baidu			Bilibili		
Year	2020	2021	2022	2020	2021	2022	2020	2021	2022
Current ratio	0.99	0.99	1	2.68	2.86	2.67	2.12	3.01	1.43
Acid-test ratio	0.99	0.99	1	2.67	2.84	2.65	2.1	2.98	1.4
Cash ratio	0.74	0.75	0.69	2.37	2.42	2.19	1.73	2.5	1.14
Debt to asset ratio	0.45	0.42	0.41	0.42	0.41	0.39	0.67	0.58	0.63
Equity ratio	-	0.74	0.7	-	0.74	0.69	-	0.74	0.7

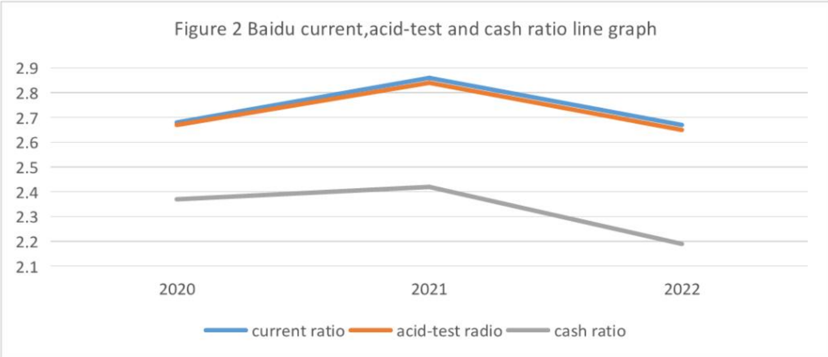

Fig. 2. Baidu current,acid-test and cash ratio line graph

Profitability Analysis.

Profitability is a comprehensive reflection of a company's ability to make money and can reflect whether a company's business model is good or bad, on the other hand it has a very significant impact on a company's market capitalization.

Table 3 and Figure 3 shows that OPM, ROE and ROIC of Ctrip and Bilibili in 2022 have all increased compared to 2021 when they were listed in Hong Kong for the second time, indicating that profitability is increasing, and this is largely due to the effective control of content costs and the decrease in traffic and bandwidth costs.

The decrease in Baidu's OPM and ROE in 2022 compared to 2021 is due to an increase in the proportion of Baidu's investment in research and development expenses in 2022, with a year-on-year growth rate of 30%. Baidu's growth is currently prioritized by its transformation from "China's No. 1 search engine" to "a leading AI company". Also, due to the tough macroeconomic environment, demand for online advertising, Baidu's main source of revenue, was weak, resulting in a decline in Baidu's online marketing revenue. Bilibili's value-added business in the revenue segment is suffering from slowing membership growth and excessively high operating costs in the live show business, making it difficult to achieve positive profitability in the short term.

From the DuPont analysis, it can be seen that Ctrip, Baidu and Bilibili three companies' ROE is driven by profit margin, and ROIC also shows a clear trend of improvement. This indicates that the management of Ctrip, Baidu and Bilibili has put more effort into business development after their secondary listings in Hong Kong, resulting in increased operational management efficiency and improving profitability.

In summary, the secondary listing in Hong Kong had a positive impact on profitability.

Table 3. Profitability indicators for Ctrip, Baidu and Bilibili

	Ctrip			Baidu			Bilibili		
Year	2020	2021	2022	2020	2021	2022	2020	2021	2022
Gross profit	78	77	77.5	48.5	48.3	48.3	23.7	20.9	17.6

margin/%									
Net profit margin/%	-17.7	-2.7	7	21	8.2	6.1	-25.1	-35	-34.2
ROE/%	-3.2	-0.5	1.2	12.7	5	3.1	-40.4	-46.3	-38.4
ROIC/%	-0.6	-0.8	0.3	7.2	4	5.5	-38.3	-43.6	-34.9

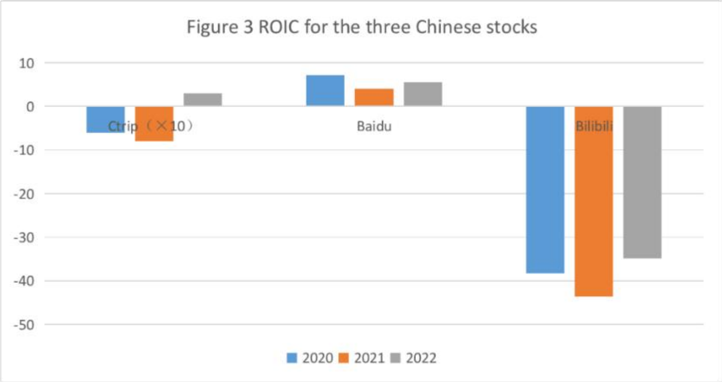

Fig. 3. ROIC for the three Chinese stocks

Operating Capacity Analysis.

Operating capacity is the operating income divided by the average balance of assets, which reflects the efficiency of the enterprise's use of assets, and thus the management's management level. The higher operating capacity, the higher profitability of the company, and the lower loss on asset realization.

Based on the operations of Ctrip, Baidu and Bilibili, it is found that the fixed asset indicators of the three companies are not very influential and Ctrip's inventory accounts for a relatively small amount, so the inventory turnover ratio, receivables turnover ratio and total asset turnover ratio are chosen. Of these, Ctrip does not study inventory turnover ratio.

As can be seen from Table 4 and Figure 4, Ctrip's receivables turnover ratio and total assets turnover ratio reach their highest values in 2021, the year of its IPO in Hong Kong, and show a downward trend in 2022. Baidu's and Bilibili's inventory turnover ratio, receivables turnover ratio and total assets turnover ratio also show a decreasing trend from 2020 to 2022. This trend is closely related to the business structure of the three groups, with Ctrip's business segments accounting for the largest share of hotel bookings and transportation tickets; Baidu's core and cloud services, smart driving and other new businesses continue to account for an increasing share of Baidu's revenue structure; and Bilibili's value-added business revenue is the fastest growing and largest share of its total operating revenue. The internet industry is also prone to credit sales, allowing the relevant customers to pay in installments or deferred payments, which affects the three companies' utilization of their assets, resulting in a decreasing turnover ratio.

Overall, this secondary listing in Hong Kong has a small impact on operating capacity.

Table 4. Ctrip, Baidu and Bilibili operating capacity indicators

	Ctrip			Baidu			Bilibili		
Year	2020	2021	2022	2020	2021	2022	2020	2021	2022
Inventory turnover ratio (time/year)	-	-	-	89.3	61.9	45	81.3	50.2	38.6
Receivables turnover ratio (time/year)	3.2	4.6	3.8	13.7	13.5	10.9	13.7	16.1	15.4
Total asset turnover ratio (time/year)	0.1	0.11	0.1	0.35	0.35	0.31	0.63	0.51	0.44

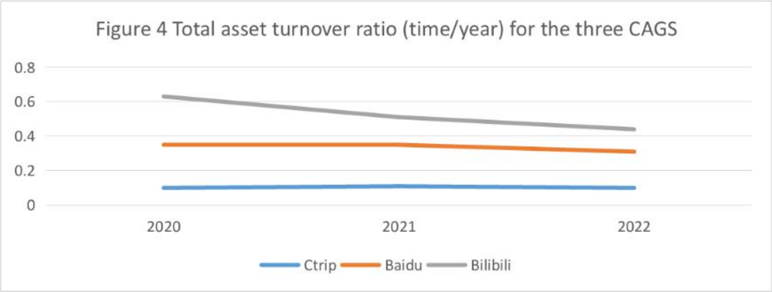

Fig. 4. Total asset turnover ratio (time/year) for the three CAGS

6 Conclusion

By studying the HFCAA, the changes in the internal and external environment for Chinese stocks, and by combining the companies' own factors, this paper analyses the motivations, paths and effects of their secondary listing in Hong Kong, using Ctrip, Baidu and Bilibili as the main cases, and draws the following conclusions:

The secondary listing in Hong Kong had a positive effect on Ctrip, Baidu and Bilibili. Using the event study method to analyze the research, it was analyzed that some of the cumulative excess returns during the event period were positive and that Hong Kong share turnover was positive, indicating that the capital market response to the secondary listing in Hong Kong was positive and that the market and investors were generally positive that the action was beneficial to the development of the three companies. Analysis of the financial indicators of the three groups revealed that the secondary listing had a positive effect on their debt-paying ability, although it did not have a significant impact on operating capacity, it had a positive impact on profitability.

At the same time, many positive implications were identified. For example, it can diversify the risks of the single market for US stocks, broaden the financing channels and ease the capital pressure; and promote the visibility of the three companies with the continuous improvement of the domestic market policies. In general, the secondary listing in Hong Kong is beneficial to the long-term development of the three companies, but care should be taken to take into account the companies' own future development strategies, their specific circumstances, the development of the industry and the capital market situation before making a prudent decision.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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