The Return of Chinese Concept Stocks: Motivations, Paths and Economic Impacts—Based on Li Auto and XPeng

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Abstract. Against the backdrop of intensifying competition in the global capital markets and ongoing reforms in China's capital markets, the return of Chinese-listed companies to domestic markets has become a critical strategic decision for new energy vehicle (NEV) companies. This study examines Li Auto and Xpeng Motors, employing case analysis and event study methods to explore their returns' motivations, paths, and economic impacts. The findings reveal that the primary motivations for Chinese-listed companies to return include tightening external regulatory environments and their own financing needs. Among these companies, Xpeng Motors is more sensitive to regulatory risks. In terms of path selection, both companies adopted a dual-listing model. However, Li Auto demonstrated greater stability in terms of market response, while Xpeng Motors exhibited higher market volatility. Regarding long-term performance, the two companies showed divergent outcomes. Li Auto achieved a high excess return (CAR of 0.8605) in 2023, while Xpeng Motors performed poorly in 2022 (CAR of -1.0455). Additionally, both companies benefited from policy support. These findings provide empirical references for new energy vehicle companies when selecting capital market pathways. They suggest that companies should combine policy guidance with market conditions to formulate return strategies that achieve sustainable development goals.

1 Introduction

Since the 1990s, Chinese companies have sought overseas listing channels to break through financing bottlenecks. This has gradually formed a group of Chinese concept stocks, including internet and new energy vehicle companies. Initially, due to the complexity of the domestic IPO approval process and the limited number of exit channels for venture capital, many companies chose to list in the U.S. or go public through reverse mergers, experiencing rapid development [1]. However, in recent years, Chinese concept stocks have faced multiple challenges. From 2011 to 2013, during the trust crisis, some companies were targeted by overseas short-selling institutions due to financial fraud issues. This led to a shift from valuation premiums to discounts for "China concept" stocks, significantly eroding market confidence. The 2020 Luckin Coffee scandal further exacerbated the trust crisis and was

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compounded by regulatory policies, such as the U.S. Holding Foreign Companies Accountable Act (HFCAA). This act intensified audit compliance pressures and prompted companies to reassess the risks of overseas listings. From an institutional perspective, cross-border constraints imposed by U.S. private enforcement mechanisms, such as shareholder class-action lawsuits, have proven to cause valuation shocks and compliance pressures for non-U.S. companies. Consequently, Chinese ADRs subject to policies like the HFCAA tend to relist on the Hong Kong Stock Exchange to maintain information transparency and avoid valuation discounts resulting from regulatory relaxation [2]. Meanwhile, valuation discrepancies between Chinese and U.S. capital markets, coupled with proactive policy guidance from the Chinese government (e.g., the establishment of the STAR Market), have fueled the trend of Chinese ADRs returning to the Chinese market [3]. This is particularly true for technology-intensive industries, such as the new energy vehicle sector, where increased reliance on capital for research and development (R&D) and production makes the need for a return even more urgent.

Existing research has conducted in-depth analyses of the motivations, pathways, and market impacts of Chinese companies listed overseas returning to domestic markets. This research has identified regulatory pressure, valuation discrepancies, and domestic policy support as key drivers of such returns (2, 7). Since the Hong Kong Stock Exchange implemented its listing regime reform on April 30, 2018, the relaxation of relevant policies has opened a secondary listing channel for Chinese American depositary receipts (ADRs) listed in the US, as demonstrated by Chen et al. This mechanism has been widely adopted in traditional industries, such as the internet and manufacturing sectors [4,5,6]. However, although new energy vehicle companies such as Xpeng Motors and Li Auto have followed this trend by opting for dual listings, there is a lack of systematic analysis of the motivations behind the return of new energy Chinese ADRs to multiple capital markets [7,8]. Due to their reliance on technological innovation and policy support, the economic consequences of their return have not been thoroughly explored. From a policy perspective, the ongoing evolution of Sino-U.S. trade frictions, coupled with the Chinese government's subsidies and support for the new energy vehicle industry, has created a policy window and development opportunities for the return of Chinese-listed companies. However, optimizing the return pathway remains an area requiring further exploration [9]. This paper uses Li Auto (NASDAQ: LI) and Xpeng Motors (NYSE: XPEV) as case studies to focus on their market reactions after secondary listings on the Hong Kong stock market. The study systematically analyzes the motivations, path selection, and economic consequences of Chinese-listed companies returning to domestic markets. The study uses event study methodology and cumulative abnormal returns (CAR) to quantify short-term reactions and combines case comparisons to explore long-term performance differences between the two companies.

2 Motivations and market reactions of XPeng's secondary listing in Hong Kong

2.1 Event setting and methods

This paper employs event study methods to analyze market reactions triggered by Xpeng Motors' listing on the Hong Kong stock exchange on July 7, 2021. The research framework is based on Dong et al.'s event study framework. The event date is defined as the day of Xpeng Motors' listing on the Hong Kong Stock Exchange. The cumulative abnormal return (CAR) is used to measure the short-term market reaction. Xpeng Motors' listing on the Hong Kong Stock Exchange marks a strategic transition from a dual listing on the Nasdaq (NYSE: XPEV) to the Hong Kong Stock Exchange. This event reflects the company's strategic

adjustments amid intensifying regulatory pressure and valuation discounts in the United States. The Hang Seng Index is used as the market benchmark to analyze short-term market effects and changes in investor behavior.

2.2 Data sources and window definition

The data for this case study comes from the Yingwei Finance database. The sample period for Xpeng Motors spans from July 7, 2021, the date of its Hong Kong stock market listing, to June 1, 2025. Short-term analysis uses daily data to capture the initial market reaction following the IPO. Long-term analysis uses weekly data, including approximately 25 weeks in 2021, 52 weeks each year from 2022 to 2024, and approximately 22 weeks up to June 2025. The market benchmark is the Hang Seng Index for the same period. Data of the same frequency is used to ensure consistency in comparisons.

Regarding the event window, since there were no Hong Kong stock trading records prior to the IPO, the short-term event window is set from t=0 to t+29 (30 trading days) to evaluate the initial market response. The estimation window extends from t+60 to t+180 (approximately 120 trading days) to estimate the expected return rate via regression analysis. The long-term analysis encompasses the entire regression period from July 2021 to June 2025 and employs weekly data to evaluate Xpeng Motors' sustained market performance.

2.3 Model method

In short-term analysis, abnormal returns (AR) are calculated using the market adjustment method.

$$AR_{\{I,t\}} = R_{\{I,t\}} - R_{\{m,t\}} \quad (1)$$

where R_({I,t}\) is the daily return of Xiaopeng and R_({m,t}\) is the daily return of the Hang Seng Index. The cumulative abnormal return (CAR) is calculated by accumulating the ARs within the event window [0, 29].

$$CAR_t = \sum_{t=0}^{29} AR_{i,t} \quad (2)$$

The CAR on the event day (t=0) is set as the AR for that day.

$$CAR_0 = AR_0 \quad (3)$$

Regression analysis: Using data from the estimation window (t+60 to t+180), estimate the expected return rate using the market model.

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t} \quad (4)$$

Parameters are obtained by regressing daily data from the estimation window [60, 180].

The long-term analysis uses weekly data. AR is calculated using the same method as the short-term model and employs market adjustment based on weekly returns. CAR accumulates annually, starting with the first week's CAR set to the weekly AR and continuing with cumulative values each subsequent week.

$$CAR_t = \sum_{t=\text{Start of year}}^{\text{End of year}} AR_{i,t} \quad (5)$$

Annualized CAR: For certain years (2021 and 2025), the values are standardized by the number of weeks.

$$CAR_{y,adj} = CAR_y \times 52 \div W_y \quad (6)$$

2.4 Market reaction analysis

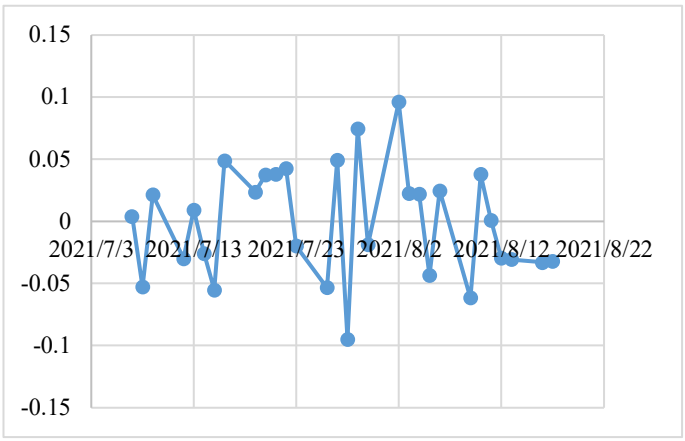

Fig. 1. Xpeng Motors' Abnormal Return Rate in the First 30 Days After Listing(Picture credit: Original)

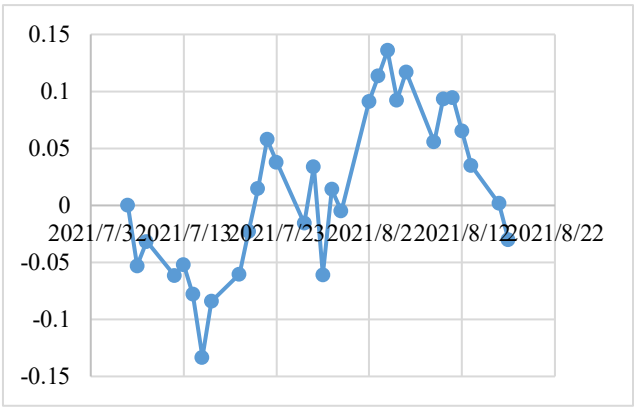

Fig. 2. Cumulative Abnormal Return Rate of Xpeng Motors in the First 30 Days After Listing(Picture credit: Original)

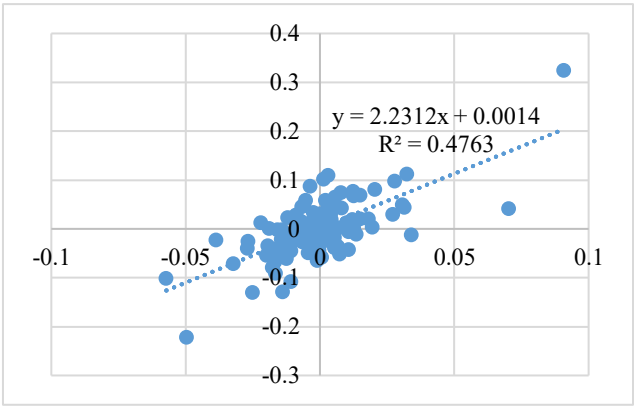

Fig. 3. Scatter Regression Analysis of Xpeng Motors After Its Return(Picture credit: Original)

As shown in Figure 1, Xpeng Motors' daily abnormal return rate (AR) fluctuated significantly during the 30 trading days following its listing on the Hong Kong Stock Exchange on July 7, 2021. The highest point occurred on August 2, 2021 (AR = 0.0960), and the lowest point occurred on July 28 (AR = -0.0948). This fluctuation reflects the market's complex reaction to the return, with positive expectations and negative sentiment intertwined in the short term. This reveals the uncertainty of initial market reactions and the speculative nature of the short term.

Figure 2 shows that Xpeng Motors' cumulative abnormal return (CAR) also fluctuated in phases. The highest CAR point was on August 4, 2021 (0.1359), and the lowest CAR point was on July 15 (minus 0.1331). The CAR trend indicates that Xpeng Motors' market reaction during the initial phase of its return went through three stages: pressure, gradual recovery, and correction. This suggests that market sentiment shifted from caution to optimism and then to rational adjustment due to the dual-listing strategy and industry expectations.

Figure 3 shows that the relationship between Xpeng Motors' daily return rate and the Hang Seng Index from t+60 to t+180 can be described by the regression equation $y = 2.2312x + 0.0014$ ($R^2 = 0.4763$). This indicates that Xpeng Motors is highly sensitive to market fluctuations and that its return volatility is significantly higher than that of the Hang Seng Index. Thus, Xpeng Motors faced higher systemic risks during the early stages of the regression, and its return changes exhibited strong synchrony with market trends.

3 Motivations and market reactions of Li Auto's secondary listing in Hong Kong

3.1 Event definition and methodology

Li Auto was listed on the Hong Kong Stock Exchange on August 12, 2021. Its market response analysis employs the same event study framework used for Xpeng Motors (see Section 2.1), based on Dong et al.'s event study framework, designating the listing date as the event date. This allows us to assess the short-term market reaction triggered by the IPO. The study uses the Hang Seng Index as the market benchmark and analyzes the abnormal return changes of Li Auto within the event window. It also compares the market feedback differences between Ideal Auto and Xpeng Motors under their respective capital path choices.

3.2 Data sources and window definition

The data range for Li Auto is from August 12, 2021, the date of its listing on the Hong Kong Stock Exchange, to June 1, 2025. Short-term analysis uses daily data, while long-term analysis uses weekly data. The latter covers approximately 20 weeks in 2021, 52 weeks from 2022 to 2024, and 22 weeks up to June 2025. The market benchmark remains the daily and weekly data of the Hang Seng Index for the same periods to ensure consistency and comparability of estimates. Regarding the event window settings, the short-term analysis window extends from the event date (t=0) to t+29 (30 trading days), and the estimation window extends from t+60 to t+180 (approximately 120 trading days) to construct the regression model for estimating the expected return rates.

3.3 Model method

The market reaction analysis of Li Auto uses the same event study framework as Xpeng Motors (see Section 2.3). It covers the calculation of cumulative abnormal returns (CAR) in the short term (30 trading days) and the long term. The Hang Seng Index is used as the market

benchmark, and the parameter estimation window is set to [t+60, t+180]. The model settings and yield standardization method are consistent with those described above and will not be repeated here.

3.4 Market reaction analysis

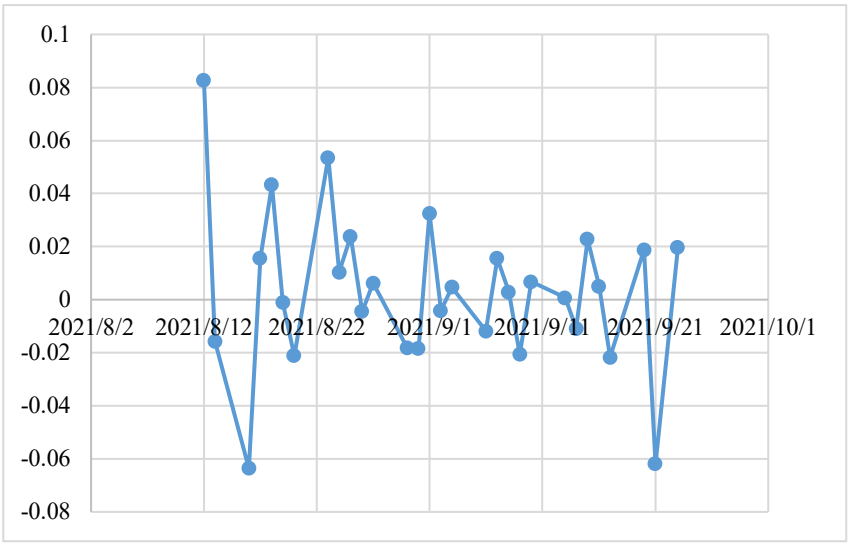

Fig. 4. The abnormal return rate of Li Auto in the 30 days after its listing(Picture credit: Original)

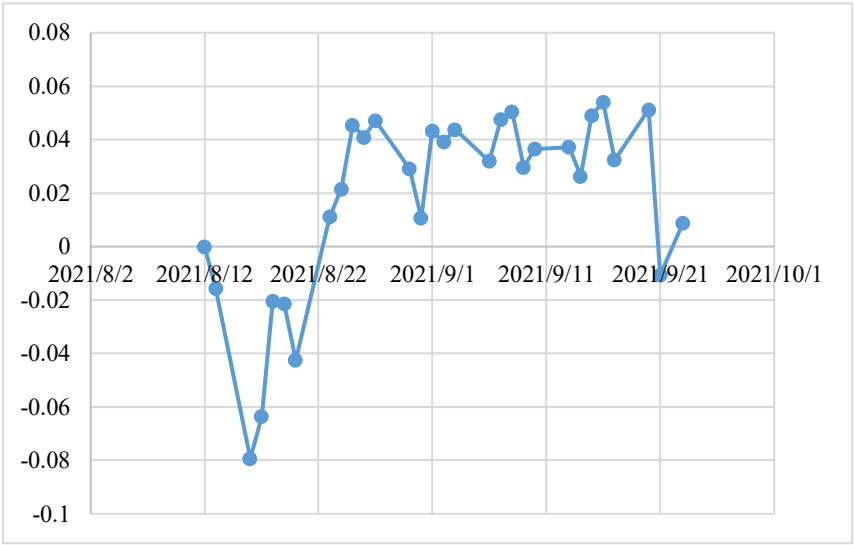

Fig. 5. Cumulative abnormal return rate of Li Auto in the 30 days after its listing(Picture credit: Original)

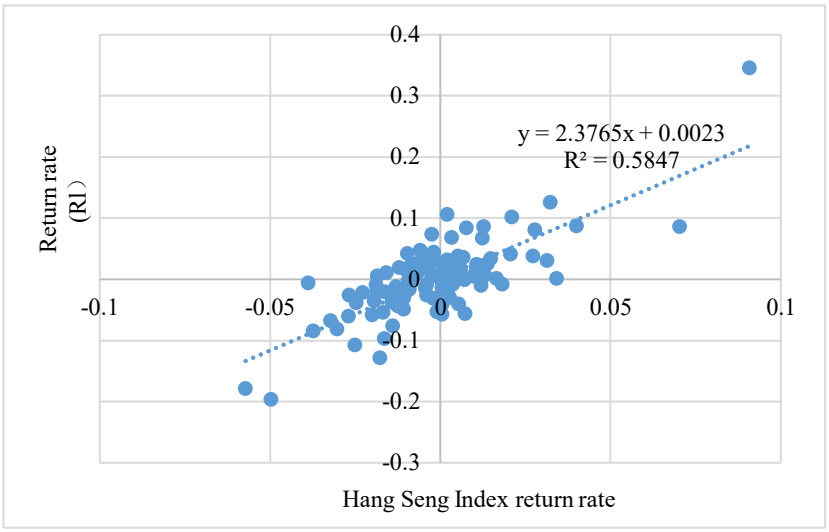

Fig. 6. Scatter regression analysis of Li Auto after its return(Picture credit: Original)

Figure 4 shows that Li Auto's abnormal return rate (AR) fluctuated significantly within the first 30 trading days after its August 12, 2021 listing, peaking on the listing date at 0.0826 and bottoming out on September 21, 2021, at -0.0619. This range of fluctuation shows that the market's reaction to the initial return was uncertain and had obvious short-term speculative characteristics.

Figure 5 shows that the cumulative abnormal return (CAR) fluctuated in phases during the same period. The highest CAR value was 0.0541 on September 16, 2021, and the lowest CAR value was -0.0107 on September 21. Overall, the CAR value first increased and then decreased slightly, reflecting the complex market reaction in the early stages of Li Auto's return.

Figure 6 shows that the daily return rate of Li Auto from t+60 to t+180 had a linear relationship with the Hang Seng Index return rate, with a regression equation of $y = 2.3765x + 0.0023$ ($R^2 = 0.5847$). The β value of 2.3765 indicates that Li Auto is highly sensitive to market changes, with approximately 60% of return rate changes related to market fluctuations, and the remainder affected by company-specific factors. This reflects Li Auto's high systemic risk and strong market synchrony

4 Comparative analysis of Li Auto and Xpeng motors' return strategies

4.1 Listing motives

Since 2018, the Hong Kong Stock Exchange has permitted companies with dual-class share structures to list. This policy reform has provided a flexible financing environment for Chinese companies listed overseas. A dual-class share structure allows the founding team to retain control while raising capital and avoids US regulatory pressure to a certain extent. This is conducive to the continuity of corporate strategy. Take Xpeng Motors and Li Auto as examples. Both companies optimized their capital structure through secondary listings on the Hong Kong Stock Exchange. This met their expansion capital needs and retained the core team's leadership. According to Chen et al.'s research, after the SEC issued the final amendments to the HFCAA, dual-listed Chinese ADRs demonstrated higher cumulative

excess returns within three months. This indicates that dual listings have positive economic effects on companies and help them stabilize in a complex international regulatory environment. However, dual-listed companies still face certain market challenges compared to companies listed only in Hong Kong.

4.2 Market performance analysis

Considering the difference in the two companies' listing times, this paper uses annualized cumulative abnormal return (CAR) to conduct a horizontal comparison of their market performance, as shown in Figure 7. In 2021, Xpeng Motors was listed for approximately 25 weeks, from July 7 to the end of the year, while Li Auto was listed for approximately 19 weeks, from August 12 to the end of the year. In 2025, annualization was based on 22 weeks as of June. Xpeng Motors' market performance fluctuated greatly, with a CAR of -1.0455 in 2022. This highlights the significant impact of market adjustments, possibly due to regulatory pressure and industry competition [10]. In comparison, Li Auto's CAR for the same period was -0.0495, showing relatively strong resistance to decline. The possible reason for this difference is that Xpeng Motors depends more on policy subsidies, making it sensitive to short-term subsidy fluctuations. In contrast, Li Auto has disclosed more of its technology roadmap on the Hong Kong stock exchange, resulting in higher information transparency. Its valuation fluctuations are consistent with the literature's conclusion that "high-quality disclosure companies have low volatility characteristics" [11,12].

In 2023, Li Auto's CAR was 0.8605, which was slightly higher than Xpeng's 0.8025. This indicates that Li Auto capitalized better on market opportunities that year. However, by 2025, Xpeng's annualized CAR had risen to 0.9970, contrasting sharply with Li Auto's 0.0825. This reflects Xpeng's recent rise in market dominance. Further analysis of statistical indicators shows that Xpeng Motors' average annual excess return is 0.2906, with a standard deviation of 0.8654. This indicates high returns but also high volatility. In contrast, Li Auto's average annual excess return is 0.2360, with a standard deviation of 0.4809. This indicates slightly lower returns but stronger stability. These indicators confirm that Xpeng Motors adopts a high-risk, high-return strategy, while Li Auto adopts a conservative, low-risk strategy.

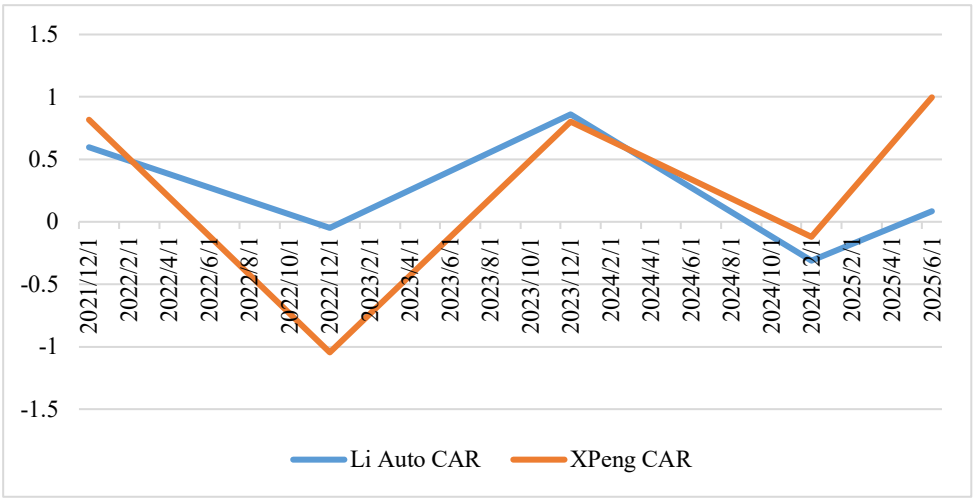

Fig. 7. Xpeng Motors and Li Auto Annualized CAR

5 Conclusion

Using the actual cases of Xpeng Motors and Li Auto's return to the Hong Kong stock market as examples, this paper employs event study and case comparison methods to analyze the motivations behind dual listings and their consequences for the market economy. From internal corporate strategy and external policy environment perspectives, the paper examines the short-term market reactions triggered by both companies in the early stages of listing and their differing volatility characteristics. Xpeng Motors' CAR fluctuated sharply, showing a clear upward trend that reflects its high sensitivity and short-term speculative nature. Li Auto's volatility remained relatively stable during this period with a smaller CAR fluctuation range. This demonstrates strong market stability and investor confidence.

In terms of long-term performance, Xpeng Motors' annualized CAR decreased to -1.0455 in 2022 and increased to 0.9970 in 2025. This indicates that Xpeng Motors is significantly affected by external policy expectations and has a high level of strategic risk. Li Auto's CAR was only -0.0495 in 2022, reflecting strong resistance to declines, and it reached 0.8605 in 2023. The two companies exhibit notable differences in volatility. Xpeng's average CAR is 0.2906, with a standard deviation of 0.8654, indicating high returns and high uncertainty. Li Auto's average CAR is 0.2360, with a standard deviation of 0.4809, showing lower returns and greater stability.

This paper uses Li Auto and Xpeng as representative cases to assess their short-term market reactions and long-term performance using the CAR indicator. The aim is to fill a niche in the research of returns on Chinese-listed companies in the new energy vehicle industry. Due to limitations in sample size and observation period (as of June 2025), however, the conclusions of this study are subject to certain limitations. Future research could expand the scope of the sample, extend the data period, and introduce econometric methods to validate the causal mechanisms between corporate strategic choices and market responses. This would promote the systematic development of this line of research.

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