

The Price of Voice: Retail Investor Engagement and Corporate Investment*

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Abstract: Exploiting a Chinese mandate requiring listed firms to engage retail investors on an online platform, we find that treated firms exhibit lower investment- q sensitivity and weaker long-run performance, consistent with reduced managerial learning from stock prices. We also find evidence of managerial catering: firms receiving more investment-related posts subsequently increase investment, while an exogenous platform redesign that reduced such posts lowers investment. This voice-induced investment is associated with only short-lived valuation gains and worse long-run outcomes, further supporting a catering interpretation. Our results suggest that amplifying retail engagement can simultaneously erode price-based learning and induce value-destroying catering in corporate investment.

JEL classification codes: G14; G31; G34

Keywords: Retail investor engagement; Price-based managerial learning; Managerial catering; Revelatory price efficiency; Corporate investment.

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1. Introduction

Recent advances in financial technology have reshaped how investors interact with firms. Beyond traditional channels such as earnings calls, emerging digital platforms enable frequent, direct, and widely accessible communication between a broad base of investors and corporate managers. Prior research highlights benefits of these innovations for financial markets, including improved dissemination of disclosures and reduced information asymmetry (Blankespoor et al., 2014; Lee and Zhong, 2022; Hirshleifer et al., 2025). Yet far less is known about their *real* effects on corporate decision-making—particularly how retail investor engagement influences firms’ investment policies, a central determinant of capital allocation and long-run performance.

This paper addresses this gap by exploiting a regulatory mandate in China that required all Shenzhen Stock Exchange (SZSE)-listed firms to adopt Hu Dong Yi (HDY), a large-scale interactive platform for investor communication. HDY facilitates direct interactions between investors and managers: retail investors initiate the interaction by submitting questions and suggestions on firm-specific topics, and firms are required to respond in a Q&A format. Because HDY adoption is mandated for all SZSE-listed firms but not for Shanghai Stock Exchange (SSE) firms in our sample period, the introduction of the platform is plausibly exogenous to individual firms. This setting provides a unique quasi-experimental environment to study how enhanced retail-investor engagement due to mandated platform adoption alters the information environment and managerial decision-making.

We conceptualize HDY’s influence on corporate investment through two interconnected channels. The *price channel* operates through managerial learning from stock prices: the platform may affect managers’ ability to extract decision-relevant signals by changing how informative and interpretable stock prices are. A second, *non-price channel* arises because HDY makes retail investor attention and interest highly visible. Retail posts frequently focus on firms’ expansion plans and capital expenditures, creating a direct route through which retail interest may affect managerial choices. In the analysis that follows, we first examine how HDY affects managers’ reliance on stock prices and then investigate whether visible retail interest in investment directly influences firms’ investment decisions.

The effect of HDY on price-based learning is theoretically ambiguous. On one hand, by reducing information asymmetry, HDY may dampen informed trading, thereby reducing the incremental information in prices that is *new to managers* and limiting their ability to learn from markets (Jayaraman and Wu, 2019). On the other hand, HDY could strengthen price-based learning by lowering the cost of interpreting market signals—for example, through direct investor interactions (Zhang, 2023)—or by aggregating dispersed information into prices via a “wisdom of the crowd” effect (Chen et al., 2014), thereby enriching the signals from which managers can learn. Thus, whether HDY strengthens or weakens price-based learning remains an empirical question.

To examine the price-based channel, we employ a difference-in-differences (DID) design comparing investment- q sensitivity between SZSE-listed firms (treatment group) and SSE-listed firms (control group). Following HDY’s launch, treated firms experience a 61% decline in investment- q sensitivity relative to control firms. This result is robust to propensity-score-matched samples, alternative specifications that account for staggered treatment timing, and a variety of additional controls. Together, these results indicate that mandatory retail engagement substantially alters the information environment in a manner that reduces managers’ reliance on price signals when making investment decisions.

Cross-sectional evidence and long-term performance analyses further support the price-based learning interpretation. The decline in investment- q sensitivity is larger among financially unconstrained firms—which are typically more responsive to price signals (Chen et al., 2007; Edmans et al., 2017)—and among high-growth firms, for which markets tend to be especially informative (Gao and Liang, 2013; Bai et al., 2016). Moreover, treated firms experience an 11% decline in profitability over the four years following HDY’s launch, consistent with weaker price-based learning leading to less efficient investment decisions (Jayaraman and Wu, 2019).

Having established that HDY weakens price-based learning, we next examine whether retail investor demand for investment—revealed on the platform—can directly influence firms’ investment decisions. Because HDY interaction is *investor-initiated*, the platform provides managers with a timely and visible signal of which corporate actions retail investors are emphasizing and potentially rewarding. When investor messages tilt toward capital expenditures

and expansion plans, managers may increase investment to align with salient investor preferences and maintain investor support.

This mechanism is consistent with catering theories, which predict that firms adjust policies to meet investor demand for specific corporate characteristics (Baker and Wurgler, 2004; Aghion and Stein, 2008; Baker et al., 2009; Polk and Sapienza, 2009). A key advantage of our setting is the direct observability of investor demand: rather than inferring investor tastes from a market premium placed on the characteristic, we observe what retail investors emphasize from the topics they voluntarily raise on the platform. Relatedly, our interpretation complements evidence that investors often place a premium on firms with aggressive investment strategies, treating high investment as a signal of strong growth opportunities (Titman et al., 2004; Cooper et al., 2008). In a retail-dominated market like China, visible emphasis on investment topics may therefore encourage managers to “validate” growth narratives through tangible spending.²

We capture this channel using the share of investment-related posts—our measure of retail investment interest (RII)—which focuses on the composition of investor interest rather than the overall level of platform activity. We find that RII strongly predicts subsequent capital expenditures even after controlling for Tobin’s Q, consistent with a non-price channel through which retail demand for investment-related actions influences corporate investment. Economically, a one-standard-deviation increase in RII is associated with an increase in investment of approximately 2.26% of mean capex.

To address endogeneity concerns, we exploit an HDY redesign in 2011 that enhanced search and categorization, making investors less likely to post new questions on topics with extensive pre-existing investor-firm interactions (i.e., where prior Q&As were readily available). Because this change disproportionately reduced new investment-related posts for firms with larger archives of prior interactions, it generates plausibly exogenous variation in retail investment interest. We show that this platform-design-induced reduction in investment-related posts leads to a corresponding decline in subsequent capital expenditures, providing strong evidence that managers

² Section 2.2.2 provides one illustrative example.

adjust investment in response to retail investor interest.

We also find that the sensitivity of investment to *RII* is stronger when managerial incentives to cater are greater—when posting volume is higher, posts are longer, retail investors are net buyers, CEO pay is more sensitive to short-term stock returns, and board oversight is weaker. Moreover, firms that cater more aggressively exhibit a larger long-term decline in profitability. This pattern is hard to reconcile with managers learning about genuine growth opportunities from investor posts. Instead, it is highly consistent with a catering mechanism, in which managers expand investment to satisfy visible retail interest, generating transitory valuation gains at the cost of weaker long-run performance.

Finally, we conduct two additional analyses. First, we validate the mechanism behind the reduced price-based learning channel by showing that treated firms experience significant declines in Amihud (2002) illiquidity and bid-ask spreads, consistent with HDY reducing information asymmetry and eroding informed trading advantages (Lee and Zhong, 2022). Second, we examine the valuation consequences of catering. Firms most responsive to retail posts (i.e., high-*RII-responsive* firms) experience an initial increase in market-to-book ratios, which fully reverses over the next three years. This reflects the typical “spike and fade” pattern associated with investment mispricing. In contrast, low-*RII-responsive* firms do not display this pattern.

Our study makes three main contributions. First, we provide the first plausibly causal evidence that investor-firm interaction can weaken *reveatory price efficiency* (RPE)—the extent to which stock prices convey *incremental* decision-relevant information to managers (Bond et al., 2012). Prior work on investor-firm interaction has focused mainly on *forecasting price efficiency* (FPE)—how well prices reflect total information about fundamentals—and generally concludes that such interactions improve FPE (Matsumoto et al., 2011; Green et al., 2014; Lee and Zhong, 2022). Our evidence highlights an important distinction: digital engagement tools can enhance transparency and liquidity in ways consistent with higher FPE, while simultaneously eroding the information in prices that is *new* to managers, reducing managers’ reliance on price signals and weakening long-run performance.

Second, we identify a novel channel through which investor voice affects real corporate

decisions: visible retail interest directly shapes firms’ investment policies. Whereas prior research emphasizes the monitoring and governance benefits of shareholder engagement (e.g., Levit, 2019; Chapman et al., 2022; Kakhbod et al., 2023), we show that dispersed retail investors—when given a prominent and observable voice—can distort real investment by encouraging managerial catering. These findings contribute to the catering literature (Baker and Wurgler, 2004; Polk and Sapienza, 2009) by showing how catering to visible retail preference can induce value-destroying investment.

Third, we contribute to research on fintech and digital communication platforms by documenting an unintended adverse consequence of technologies designed to “empower” retail investors. Prior work shows that these platforms can improve real outcomes in settings such as mergers and acquisitions (M&A) (Ang et al., 2021; Cookson et al., 2025). A key distinction lies in the direction of initiative: in M&A, firms initiate discrete actions and investor engagement operates largely through *ex post* monitoring and discipline. In our setting, retail investors initiate conversations and encourage managers to act, so investor voice functions less as *ex post* monitoring and more as *ex ante* advice and pressure. Our findings therefore suggest that the welfare implications of digital technologies may depend on how investor engagement enters the decision process.³ More broadly, while digital platforms may protect small investors and amplify their voices—a longstanding concern for regulators (SEC, 2015)—our evidence suggests that visible retail engagement could lead managers toward more myopic investment choices that undermine long-term value.

2. Institutional Background and Hypotheses

2.1. Institutional Background

Unlike institutional investors, individual investors rarely have the opportunity to directly communicate with listed companies to voice their opinions and suggestions. To address this gap, the Shenzhen Stock Exchange launched the online interactive platform HDY on January 1, 2010. The exchange requires all listed companies to use the platform to engage directly with investors.

³ These implications extend beyond China to markets such as the U.S., where retail trading has surged from roughly 10% of volume in 2010 to over 20% by 2021 (Fedyk, 2023).

Unlike other fintech-enabled communication tools—such as internet message boards, where investors primarily exchange opinions among themselves (e.g., Antweiler and Frank, 2004), or corporate accounts on social media platforms (e.g., Blankespoor et al., 2014), where firms control the narrative and restrict interactions to curated comment threads—HDY uniquely empowers investors to proactively demand specific corporate actions. On HDY, retail investors initiate direct dialogues with firms, explicitly articulating requests or posing questions. This marks a stark contrast to platforms where investor-firm interactions are either indirect (limited to peer-to-peer discussions) or constrained by firms’ selective and controlled responses. HDY thus transforms passive commentary into proactive advocacy, establishing a demand-driven channel that is typically absent in conventional online platforms.

The HDY platform functions as follows. Individuals can register for an HDY account online using a valid email address or mobile phone number. Once registered, users can (1) post messages to submit suggestions or questions to listed companies, (2) read the companies’ responses to their submissions, and (3) browse posts from other registered users along with the corresponding corporate replies. Individual users are responsible for ensuring that the information they post on HDY is authentic, legal, and accurate.

Each company listed on the Shenzhen Stock Exchange is assigned an EKEY to access the HDY platform. Listed companies must (1) appoint staff to monitor and respond to investor posts in a timely manner, (2) engage meaningfully with investors, and (3) ensure all responses are accurate, complete, fair, and compliant with disclosure rules. Companies may clarify already disclosed information but must not reveal undisclosed material information on HDY. Using HDY as a substitute for formal disclosures is prohibited and may lead to regulatory sanctions.

The Shenzhen Stock Exchange monitors both the frequency and quality of company responses to investors on the HDY platform. These response metrics factor into the exchange’s broader evaluation of a company’s disclosure practices⁴—a process that plays a crucial role in regulatory decisions, such as approvals for seasoned equity offerings or mergers and acquisitions.

⁴ <http://docs.static.szse.cn/www/disclosure/notice/general/W020200904601522381848.pdf> (in Chinese).

Consequently, listed companies take investor posts on HDY very seriously. All interactions, both posts and responses, are permanently available to the public. Even unregistered users can search for and view the content. Appendix A shows some examples where retail investors explicitly express their interest in firm investments.

However, the launch of the HDY platform has not been without controversy. While the stock exchange and financial regulators promote it as an innovative tool to safeguard shareholder interests, particularly those of retail investors,⁵ some managers of listed companies have voiced concerns. They argue that the platform can be distracting and disruptive to normal business operations. Companies frequently encounter investor posts centered on trending topics or buzzwords that may bear little relevance to their actual business. Additionally, delayed or overly simplistic responses by companies may prompt investor complaints to the stock exchange.⁶

The Shanghai Stock Exchange (SSE) introduced its own investor interactive platform in July 2013. To preserve a clean control group, we base our main analysis on the Shenzhen Stock Exchange's platform (HDY) and restrict the sample to the period before 2012, when only the SZSE offered such a system. Within this window, SZSE-listed firms constitute the treated group, while SSE-listed firms serve as the control group.

2.2. Hypothesis Development

This section develops a conceptual framework that clarifies how HDY may alter managerial learning and investment decisions, and why its retail orientation is theoretically consequential.

2.2.1. Managerial Learning from Prices

In canonical models, managers learn from stock prices because informed traders incorporate decision-relevant information into prices that managers would otherwise not possess (Chen et al., 2007). Empirically, investment- q sensitivity is higher when stock prices embed more private information (Foucault and Frésard, 2012; Edmans et al., 2017). A large body of research shows that increasing public disclosures or improving dissemination diminishes informed trading and

⁵ <https://finance.people.com.cn/stock/n/2013/1212/c67815-23826220.html> (in Chinese).

⁶ <http://finance.sina.com.cn/roll/2019-07-16/doc-ihytcitm2493942.shtml> (in Chinese).

reduces the extent to which prices convey new information to managers (Jayaraman and Wu, 2019; Bird et al., 2021; Goldstein et al., 2023). Because managers should respond only to information they do not already know, expanding publicly available information can crowd out private information production and lead to reduced learning from prices.

HDY could plausibly operate through this classic crowding-out mechanism. By encouraging managers to clarify existing information and engage more frequently with investors, the platform may reduce informed investors' incentives to produce and trade on new information that is not known to managers. This could shift trading toward public information and weaken price-based learning.

However, HDY also introduces features that depart from traditional disclosure or dissemination changes and may strengthen, rather than weaken, managerial learning from prices. Unlike mandatory reporting rules or dissemination technologies that only transmit information outward, HDY creates a feedback channel through which investors reveal their interpretations, concerns, and expectations directly to managers. Such interaction can aggregate dispersed signals across a broad investor base, consistent with evidence that crowdsourced investor communication contributes to price formation (Chen et al., 2014). Relatedly, Bian et al. (2025) show that retail investors' questions and managers' responses in mandatory text-based earnings conferences elicit meaningful market reactions, suggesting that real-time dialogue can transmit incremental information to prices.

Even when such interaction does not introduce entirely new information, it may help managers interpret existing market signals more effectively. Zhang (2023) shows that managers who engage more closely with investors during earnings events better understand the information embedded in prices, thereby reducing the substantial cost of interpreting price movements (Gelsomin and Hutton, 2023). Finally, investment- q sensitivity depends not only on the information content of prices but also on managers' attention to prices. Because HDY requires managers to read and respond to investor posts—many of which reference valuation, stock-price dynamics, and forward-looking prospects—the platform may increase managerial attention to price signals.

Taken together, these mechanisms imply that HDY's overall effect on price-based learning is

theoretically ambiguous. While the platform may crowd out informed trading and weaken price informativeness, it may also improve the clarity and interpretability of price signals and thereby strengthen managerial learning.

H1A: *If HDY reduces informed trading, managerial reliance on stock prices will decrease.*

H1B: *If HDY improves the informativeness or interpretability of prices, or increases managerial attention to prices, managerial reliance on stock prices will increase.*

2.2.2. Retail Investor Interest and Managerial Catering

Beyond its effect on price-based learning, HDY may influence corporate investment through a non-price channel if managers use platform discussions to infer which policies retail investors currently emphasize and value. Catering theories predict that firms adjust policies to meet investor demand for specific corporate characteristics (Baker and Wurgler, 2004; Aghion and Stein, 2008; Baker et al., 2009). In our setting, the key institutional feature is that investor interest is *revealed directly* through investor-initiated interactions, allowing managers to observe shifts in what retail investors focus on rather than inferring tastes indirectly from prices or trading.

This channel complements evidence that investors often treat high investment as a favorable signal and may reward firms that expand capital expenditures (Titman et al., 2004; Cooper et al., 2008; Polk and Sapienza, 2009). HDY sharpens this channel by making the *composition* of retail interest visible in real time. Retail investors frequently ask questions like “Are you building a new plant?” or “When will capacity double?”, explicitly signaling enthusiasm for capital expenditure decisions. When managers observe sustained interest from investors in investment-related topics, they may conclude that investment has become a significant dimension in how investors evaluate the firm and anticipate favorable short-term market reactions to increased investment.

Anecdotal evidence from the HDY platform illustrates how visible retail interest can affect subsequent investment actions. In early 2019, industrial hemp became a market hotspot in China, sparking extensive online discussions.⁷ During this period, investors repeatedly used HDY to press Noposion (ticker 002215), a pesticide producer, about whether it planned to enter the industrial-

⁷ <http://finance.sina.com.cn/stock/hyyj/2019-03-28/doc-ihsxnevvh6251891.shtml> (in Chinese).

hemp sector. On March 28, 2019, two investors emphasized on HDY that China's relaxed regulations on industrial hemp presented a promising opportunity for the company to explore related products. Although Noposion initially denied any such intention, less than a month later—apparently responding to continued investor interest—on April 18, 2019, it announced an agreement to acquire a majority stake in Huayun Jinxi, a hemp cultivation firm. The company also became highly active on HDY, responding to eleven posts in April and thirteen in May about the project. Despite this aggressive push into industrial hemp, Noposion encountered severe challenges due to its lack of expertise. Ultimately, less than three years after the acquisition, on December 3, 2021, Noposion responded to an investor inquiry on HDY, stating that it had terminated the industrial hemp project.⁸

This pattern suggests that managers may increase investment to cater to retail investor interest revealed on HDY, potentially in ways that deviate from fundamentals. We therefore expect:

H2: *An increased focus on investment-related posts on HDY leads to greater firm investment.*

Managers might, however, respond to the prominence of investment-related posts for reasons other than catering. Investor interest in capital expenditures may be interpreted as reflecting improving industry conditions or heightened optimism about future demand. In this case, managers react because they view investor interest as informative about fundamentals. Under this alternative channel, HDY influences managerial beliefs but does not induce distortions in investment relative to fundamentals.

Notably, the retail nature of HDY makes a catering-based mechanism particularly plausible. Retail investors are more prone to narrative-based trading and extrapolative beliefs (Barber and Odean, 2008; Da et al., 2011). Their inquiries may therefore signal demand for salient investment narratives rather than genuine information about economic opportunities. As a result, visible retail interest is more likely to shift managerial expectations about market receptiveness (rather than fundamentals), increasing the likelihood that managers expand investment beyond what fundamentals justify.

⁸ <https://irm.cninfo.com.cn/ircs/question/questionDetail?questionId=1062688582035795968>

3. Sample and Data

Our primary sample comprises all A-share firms listed on the SZSE and the SSE. The learning analysis examines how investor engagement through HDY affects managerial learning from stock prices. To this end, we focus on the period from 2008 to 2011, covering two years before and two years after HDY’s introduction on January 1, 2010. SZSE-listed firms constitute the treated group, while SSE-listed firms serve as the control group.

We begin with all firms that have non-missing total asset data for the eight quarters surrounding HDY’s launch (2008 Q1–2011 Q4). Following standard practice, we exclude financial institutions, firms designated as “special treatment” (ST),⁹ and companies cross-listed in Hong Kong due to their different regulatory regimes. We further exclude firms without pre-event observations, firm-quarters missing key variables (investment, Tobin’s Q, and cash flow from operations), and singleton observations resulting from the inclusion of firm fixed effects. These filters yield 16,954 firm-quarter observations, which form the basis for our main DID tests on investment- q sensitivity.

To evaluate the real consequences of weakened price-based learning, we construct a complementary annual panel covering 2006–2013, spanning four years before and after HDY’s launch (Sani et al., 2023). This extended window allows us to trace firms’ long-term performance beyond the immediate post-event period while mitigating short-term fluctuations in investment returns.¹⁰ Specifically, we compare changes in future profitability between treated and control firms before and after HDY. Applying the same sample selection criteria as in the learning analysis yields 9,170 firm-year observations.

Finally, to examine whether investor-firm interactions shape investment decisions through

⁹ In China, regulators require the two stock exchanges to classify firms at risk of delisting due to financial distress under a “special treatment” (ST) category. These firms must add the prefix “ST” to their company abbreviation (i.e., ticker symbol) to distinguish them from other listed firms. An ST firm faces delisting unless it improves its financial performance and meets the criteria for removing the ST designation.

¹⁰ Including 2013 in the post period may introduce some contamination on the control side, as firms listed on the SSE become partially treated once its platform is launched in July 2013. To address this concern, Table A6 shows that our long-term performance results remain robust when we instead (i) restrict the sample to 2007–2012 (three years before and after the policy) or (ii) use 2008–2011 (two years before and after the policy), which matches the window of our main analysis of price-based learning.

channels other than price informativeness, we construct a separate dataset for the catering analysis using SZSE-listed firms (the treated group) from 2010 Q1 to 2013 Q2, the period for which HDY post-level data are available.¹¹ We restrict the sample to 2013 Q2 for two reasons. First, the SSE introduced a similar investor interaction platform in July 2013, which could otherwise confound the treatment effect of HDY. Second, we later (in Section 5.4) analyze the long-term performance (i.e., ROA) of HDY-responsive firms, so aligning the catering sample with the ROA sample period facilitates that analysis. For the content-based analysis, we obtain HDY data from DataGo Technology Limited, which classifies each post by its primary topic.¹² Table A1 reports summary statistics for all classified posts for SZSE-listed firms during 2010 Q1–2013 Q2. Applying the same sample selection criteria as in the learning analysis yields 8,374 firm-quarter observations. This dataset enables us to link the content of retail investor posts—specifically, the proportion of investment-related posts (Retail Investment Interest)—to subsequent firm investment behavior.

Financial and accounting data are obtained from the China Stock Market & Accounting Research (CSMAR) database. Table 1 summarizes the sample selection process, while Table 2 presents descriptive statistics. On average, firms in our sample invest 1.7% of total assets each quarter. Tobin’s Q has a mean value of 1.979 with a standard deviation of 1.069, and treated firms account for approximately 45% of the sample.

4. Retail Investor Engagement and Managerial Learning from Stock Prices

4.1. Research Design

We use a difference-in-differences framework to investigate how investor engagement via HDY influences managerial learning from stock prices. Specifically, we compare changes in investment- q sensitivity for treated firms before and after the introduction of the HDY platform, relative to

¹¹ Table A9 shows that our catering results are not affected by this restriction. We repeat the same analysis for all SZSE- and SSE-listed firms from 2010Q1 to 2019Q4 (the last quarter for which we have HDY data from DataGo Technology Limited). The estimated coefficient is similar in magnitude, and its statistical significance is much stronger, consistent with the greater power afforded by the longer sample period. As one would expect, Tobin’s Q becomes significant again in this extended window, suggesting that the price distortion induced by HDY does not permanently eliminate the guiding role of prices for investment.

¹² We validate the DataGo topic classification using a random sample of 10,000 posts. Two research assistants independently classify each post into categories, and the agreement between their labels and DataGo’s labels is 88% for one assistant and 92% for the other.

control firms. Our main regression specification is as follows:

$$\begin{aligned}
INV_{i,t+1} = & \beta_1 Q_{i,t} + \beta_2 Treat_i \times Post_t + \beta_3 Treat_i \times Q_{i,t} + \beta_4 Post_t \times Q_{i,t} + \beta_5 Treat_i \\
& \times Post_t \times Q_{i,t} + \beta_6 CFO_{i,t} + \beta_7 Treat_i \times CFO_{i,t} + \beta_8 Post_t \times CFO_{i,t} \\
& + \beta_9 Treat_i \times Post_t \times CFO_{i,t} + \beta_{10} INVAST_{i,t} + \mu_i + \lambda_t + \varepsilon_{i,t+1}
\end{aligned} \tag{1}$$

where INV is capital expenditure scaled by lagged total assets. $Treat$ equals one if the firm is listed on the Shenzhen Stock Exchange and zero if it is listed on the Shanghai Stock Exchange. $Post$ equals one for quarters in the years 2010–2011 and zero for quarters in the years 2008–2009. Q is Tobin’s Q , defined as the ratio of the market value of assets (i.e., the market value of equity plus the book value of debt) to the book value of assets. The key variable of interest is the triple interaction term $Treat \times Post \times Q$, whose coefficient captures the difference-in-differences estimate of the effect of the HDY platform on investment- q sensitivity.

Following Chen et al. (2007) and Ye et al. (2023), we control for spurious correlation due to the common denominator of both investment and Tobin’s Q by including the inverse of total assets ($INVAST$) in our regression model. We also include operating cash flow (CFO , scaled by total assets) as a non-price-based measure of a firm’s investment opportunities. We interact CFO with $Treat$ and $Post$ to control for potential shifts in how managers respond to non-price-based investment opportunities (Edmans et al., 2017; Jayaraman and Wu, 2019). We include firm fixed effects (μ_i) and year-quarter fixed effects (λ_t) to control for time-invariant heterogeneity and any time trends in investment behavior. Note that $Treat$ and $Post$ are absorbed by these fixed effects. We cluster standard errors at the industry level to address potential correlations in growth prospects within the same industry. Detailed definitions of all variables used in our analyses are provided in Appendix B.

4.2. Main Results

Table 3 presents our estimates of the effects of investor-firm interactions on managerial learning from stock prices. In Column (1), we include interaction terms involving the stock price signal Q and other control variables. In Column (2), we further incorporate all interaction terms with cash flows. The primary coefficient of interest is on $Treat \times Post \times Q$, which measures the change in

investment- q sensitivity of treated firms, relative to control firms, from the pre- to post-HDY period. The coefficient is significantly negative in both specifications, indicating a decline in investment- q sensitivity of treated firms. Economically, the estimated coefficient of -0.0022 represents a 61% decline in investment- q sensitivity relative to control firms post-HDY.¹³ Our results are both economically meaningful and consistent with existing literature: for example, Foucault and Fresard (2012) find that cross-listing doubles investment- q sensitivity, whereas Ye et al. (2023) find that the Tick Size Pilot Program results in a 58% increase in investment- q sensitivity.

Turning to other control variables in Table 3, the coefficient on $Post \times Q$ is positive and significant at the 5% level, indicating that the investment- q sensitivity of control firms increases following the regulation. This aligns with previous studies that document an upward trend in price informativeness and managerial learning from price signals in China (Carpenter et al., 2021). The coefficient on $Treat \times Q$ is weakly positive, suggesting that, prior to HDY, Shanghai-listed firms exhibited slightly lower investment- q sensitivity relative to their Shenzhen-listed counterparts.¹⁴ Finally, the coefficient on $Treat \times Post \times CFO$ is positive and significant at the 10% level, suggesting that the sensitivity of investment to cash flows increases for treated firms after the launch of HDY. As Edmans et al. (2017) note, this sensitivity serves as a proxy for managers' reliance on non-price information. Taken together, the results imply that managers in treated firms shift their focus away from price-based signals when making investment decisions.

4.3. Robustness Tests

4.3.1. Assessing parallel trends

One concern regarding the DID design is that treated and control firms may exhibit pre-event

¹³ We calculate the economic magnitude as follows. The pre-regulation investment- q sensitivity for treated firms is 0.0023 ($0.0011 (Q) + 0.0012 (Treat \times Q)$). Had treated firms experienced the same post-regulation increase in sensitivity as control firms— $0.0013 (Post \times Q)$ —their post-regulation sensitivity would have been 0.0036 ($0.0023 + 0.0013$). However, the coefficient on $Treat \times Post \times Q$ is -0.0022 , implying a 61% reduction in investment- q sensitivity for treated firms relative to this counterfactual ($0.0022 / 0.0036$).

¹⁴ This pattern is expected, as SSE hosts a higher concentration of state-owned enterprises (SOEs), which prior literature indicates are less responsive to market signals when making investment decisions (Chen et al., 2011). To address potential concerns from these baseline differences, we assess parallel trends and implement propensity score matching (PSM) in Section 4.3.

trends that could account for the observed effect. To alleviate this concern, we conduct a dynamic analysis to test the parallel trends assumption. Specifically, we replace the *Post* indicator with multiple quarter indicators, spanning eight quarters before and after the launch of HDY, with the first quarter serving as the omitted benchmark. As shown in Figure 1, the pre-treatment trends in investment-*q* sensitivity are not significantly distinguishable between treated and control firms. In contrast, nearly all coefficient estimates after the launch of HDY are significantly negative, linking the drop in investment-*q* sensitivity to the launch of HDY.¹⁵

4.3.2. Alternative sample, specifications, and concurrent regulatory changes

To further facilitate comparability between treated and control firms, we conduct one-to-one propensity score matching (PSM) without replacement.¹⁶ The matching covariates include the two investment-related variables, *Q* and *CFO*, as well as other common firm characteristics, including size, leverage, profitability, and firm age. Additionally, we require matched firms to be in the same industry to control for any industry-specific trends. As shown in Column (1) of Table 4 Panel A, using the matched sample, the coefficient on $Treat \times Post \times Q$ remains significantly negative.

In Column (2) of Panel A, we repeat our analysis using annual data rather than quarterly data. While quarterly analysis can better capture timely managerial responses to evolving information environments, aggregating to the annual level helps confirm that our findings are not driven by noise in relatively high-frequency (quarterly) data. As expected, the coefficient on $Treat \times Post \times Q$ is about four times larger than that in our quarterly results and remains significantly negative, indicating a persistent decline in investment-*q* sensitivity even at the annual frequency.

A further concern is that our results might be driven by concurrent regulatory changes. The only major concurrent capital-market reform in 2010Q1 is the pilot program for margin trading and short selling, which started on March 31, 2010 and covered 90 blue-chip A-shares from *both* SSE and SZSE. Since this reform was implemented on the last day of 2010Q1 and symmetrically

¹⁵ All coefficient estimates are reported in Appendix Table A2.

¹⁶ We use a probit model to estimate the propensity score for each observation, capturing the likelihood that a firm is in the treated group. We then match each treated firm with the control firm that has the most similar propensity score within the same industry, using a 5% caliper (about half the propensity score's standard deviation). As shown in Appendix Table A3, our findings remain consistent when using alternative calipers of 1%, 10%, and 25%.

affects both exchanges, it should not, in principle, generate differential changes in investment- q sensitivity between SZSE and SSE. Nevertheless, in Table A4 we address this concern directly. Column (1) re-estimates the model after excluding the 90 pilot stocks, while Column (2) augments the baseline specification by adding an indicator for margin-eligible pilot firms and its interactions with $Post$, Q , and CFO . Across both exercises, the coefficient on $Treat \times Post \times Q$ remains virtually unchanged, indicating that our main results are not driven by the margin-trading pilot.

Lastly, as shown in Table A5, our results are robust to alternative specifications of fixed effects and clustering levels, such as firm and year-quarter fixed effects with firm-level or two-way (firm and quarter) clustering, and models incorporating industry-level clustering as well as interactions of fixed effects with Q .

4.3.3. Placebo tests

We conduct two placebo tests by defining falsified event times starting from the first quarter of 2006 and the first quarter of 2008, whereas the actual establishment of HDY occurred in the first quarter of 2010. Assigning the event time to the first quarter of 2006 ensures the entire sample period (2004–2007) lies outside the 2008–2009 financial crisis. The other falsified event time, the first quarter of 2008, ensures that data are as close as possible to the sample period in our main tests and that all eight post-event quarters remain unaffected by HDY. As shown in Panel B of Table 4, the coefficients for $Treat \times Post \times Q$ in both cases are statistically insignificant. These results confirm that the observed treatment effects are specific to the timing of the HDY implementation and not attributable to random noise or pre-existing patterns in the data.

4.3.4. Using the first interactive post from investors

Our main research design exploits the launch of the HDY platform to identify the causal effect of retail investor engagement on managerial learning from stock prices. To further sharpen our inference, we employ a staggered DID design that accounts for the fact that firms may receive their first interactive post from investors at different points in time. This approach helps control for any confounding events around the establishment of HDY. We define *Interact* as an indicator variable that equals one in the quarter when a firm receives its first post from investors on the HDY

platform and in all subsequent quarters, and zero otherwise. Similar to the context of employee satisfaction reviews (Dube and Zhu, 2021), larger firms are likely to receive their first posting sooner than smaller firms. Therefore, we include firms' total assets (*ASSET*) and *Interact* \times *ASSET* to control for potential trends in investment-*q* sensitivity across different size groups (Bird et al., 2021; Goldstein et al., 2023). As shown in Panel C of Table 4, the coefficient on *Interact* \times *Q* is -0.0012 , with a *t*-statistic of -2.37 , confirming a significant decline in investment-*q* sensitivity after a firm receives its first investor posting on the HDY platform.

4.4. Cross-Sectional Tests

To corroborate the main result, we perform two cross-sectional tests that ask whether the post-HDY decline in investment-*q* sensitivity is concentrated in firms that are likely to rely more heavily on price signals.

4.4.1. Financial constraints

Our first cross-sectional test partitions firms according to their pre-period degree of financial constraints. Prior research suggests that financially unconstrained firms rely more on stock price signals when making investment decisions (Chen et al., 2007; Edmans et al., 2017; Jayaraman and Wu, 2019). We therefore hypothesize that the HDY platform will have a larger adverse effect on these firms—namely, the post-HDY decline in investment-*q* sensitivity should be greatest among financially unconstrained firms.

To test this, we calculate the Whited and Wu (2006) index for each treated firm using pre-treatment period data as our primary measure of financial constraints in Column (1) of Table 5. Treated firms are classified as financially constrained or unconstrained based on whether their *Whited-Wu* index value falls above or below the median value of all treated firms. Next, we split the treatment variable *Treat* into two distinct indicators: *Treat High* and *Treat Low*, where the former (latter) denotes treated firms that are financially unconstrained (constrained). Throughout this study, *Treat High* denotes the group predicted to exhibit a higher treatment effect. By interacting both indicators with *Post* and *Q*, we examine how the introduction of the HDY platform differentially affects investment-*q* sensitivity for constrained and unconstrained firms.

In Column (1) of Table 5, we employ the full specification as in Column (2) of Table 3 and only tabulate the main variables of interest for brevity. The coefficient for $Treat\ High \times Post \times Q$ is more negative (-0.0029) than that for $Treat\ Low \times Post \times Q$ (-0.0019), with the difference being statistically significant at the 1% level. Column (2) of Table 5 shows that our results remain quantitatively similar using an alternative measure of financial constraints—an indicator of whether a firm has paid dividends (e.g., Fazzari et al., 1988). These results align with our prediction that the decline in investment- q sensitivity is stronger for financially unconstrained firms compared to their constrained counterparts.

4.4.2. Growth opportunities

Our second cross-sectional test exploits pre-HDY variation in firms' growth opportunities. Prior research suggests that managers are particularly motivated to acquire information about future growth prospects—areas where external investors often hold an informational advantage—rather than about existing assets (Gao and Liang, 2013; Bai et al., 2016). Accordingly, we hypothesize that the negative impact of the HDY platform on investment- q sensitivity will be greater for high-growth firms, which have a stronger incentive to learn from market-based signals.

To test this, we use sales growth as our primary proxy for growth opportunities (Sani et al., 2023) in Column (3). Similarly, this measure is constructed using pre-treatment period data. Treated firms are classified into two categories based on whether their values fall below or above the median value of all treated firms. Specifically, $Treat\ High$ denotes treated firms with better growth prospects, while $Treat\ Low$ denotes treated firms with worse growth prospects.

As shown in Column (3) of Table 5, the coefficient for $Treat\ High \times Post \times Q$ is more negative (-0.0025) than that for $Treat\ Low \times Post \times Q$ (-0.0011), with the difference being statistically significant at the 5% level. A similar pattern is observed in Column (4), where we use market-to-book ratio as an alternative measure of growth opportunities, further supporting the robustness of these findings. These results align with our predictions, showing that the decline in investment- q sensitivity is concentrated in high-growth firms, consistent with their greater reliance on external information for investment decisions.

4.5. Long-Term Performance

Stock prices aggregate the insights of millions of investors and, therefore, serve as valuable signals for corporate investment. If HDY undermines this informativeness, firms' investment choices—and ultimately their long-term performance—are likely to deteriorate. As Sani et al. (2023) note, evidence of a performance decline also helps rule out the alternative explanation that the reduced investment- q sensitivity could be driven by the reduced private information in price—and thus a weaker overlap between investor and manager information sets—rather than from diminished managerial learning.

We perform a DID test to examine changes in future profitability between treated and control firms following the launch of HDY. For a comprehensive annual-level analysis, our sample spans from 2006 to 2013, covering four years before and after HDY's introduction (Sani et al., 2023). Column (1) of Table 6 presents results from regressing future return on assets (ROA) on $Treat \times Post$, controlling for firm and year fixed effects. Following Sani et al. (2023), we further control for total assets, Tobin's Q , leverage, PPE, and cash holdings. The coefficient on $Treat \times Post$ is -0.0046 and statistically significant, suggesting a decline in profitability equivalent to approximately 11% of the sample average (4.2%).

Column (2) examines the pre-treatment trend in profitability of treated and control firms. Specifically, we include interaction terms between $Treat$ and each individual year indicator prior to the treatment, with 2009 serving as the omitted benchmark. All pre-treatment interaction terms are statistically insignificant, supporting the parallel trend assumption. In Column (3), we replace $Treat \times Post$ with interaction terms between $Treat$ and each individual year indicator following the treatment. All coefficients for the post-treatment interactions are significantly negative. Overall, our findings suggest that the launch of HDY reduces managerial learning from stock prices, resulting in a measurable decline in long-term performance.

5. Managerial Catering to Retail Investors

5.1. Investment-Posting Sensitivity

While Section 4 shows that HDY's interactive platform dampens investment- q sensitivity—

reflecting weakened managerial learning from price signals—it does not necessarily imply that investor voices lack direct relevance to corporate decision-making. On the contrary, the platform may influence real decisions through a non-price channel: direct investor-firm interactions can shape investment choices by making retail investor interest in specific corporate actions highly visible to managers.

When discussions on HDY disproportionately focus on capital expenditures and expansion plans—with retail shareholders explicitly asking questions such as “*Are you building a new plant?*” and “*When will capacity double?*”—managers observe sustained interest in investment-related topics. In response, managers may increase investment to cater to this heightened interest, potentially beyond the NPV-optimal level. Such responses are consistent with prior evidence that investors favor firms pursuing aggressive investment programs, viewing high capital expenditure as a signal of strong growth opportunities (Cooper et al., 2008; Polk and Sapienza, 2009).

To test this catering channel, we construct a firm-quarter measure of retail investment interest, RII , defined as the number of investment-related posts divided by the total number of posts:

$$RII_{it} = \frac{\#Investment-related\ posts_{it}}{\#All\ posts_{it}} \quad (2)$$

A post is classified as investment-related if it references capex, expansion, acquisitions, R&D spending, or other terms related to capital budgeting. Using a proportion, rather than a raw count, allows us to control for fluctuations in overall investor posting volume and isolate the relative salience of investment-related content.

We estimate whether RII predicts *subsequent* investment as follows:

$$INV_{i,t+1} = \beta_1 RII_{i,t} + \beta_2 Q_{i,t} + \beta_3 CFO_{i,t} + \beta_4 INVAST_{i,t} + \mu_i + \lambda_t + \varepsilon_{i,t+1} \quad (3)$$

where INV is next-quarter capital expenditure scaled by total assets, Q is Tobin’s Q , CFO is operating cash flows, and $INVAST$ is the inverse of total assets. We include firm fixed effects (μ_i) and year-quarter fixed effects (λ_t) to control for time-invariant heterogeneity and any time trends in investment behavior. The sample covers 2010Q1–2013Q2, the period for which investor posting

data are available following the launch of HDY.¹⁷

As reported in Table 7, the coefficient on RII is 0.0021, statistically significant at the 5% level. The effect is also economically meaningful: a one-standard-deviation increase in RII (0.194) is associated with a 2.26% increase in investment relative to the sample mean ($0.194 \times 0.0021 / 0.018$). Notably, the coefficient on Q itself is insignificant in this specification, consistent with our earlier findings that price informativeness declined for SZSE-listed firms after the introduction of HDY. These results suggest that managers respond directly to visible investor interest in capital spending, consistent with a catering mechanism discussed above.

To verify that the positive investment- RII relation is unique to investor attention on firm investment, Table A7 reports results using analogous proportion measures constructed for all other HDY investor post categories—corporate governance, government relations, production and operation, disclosure, business relations, financing, public relations, capital markets, strategic planning, and others. When we re-estimate Equation (3) using these alternative topic proportions in place of the investment-related measure, none of their coefficients are significantly positive.¹⁸ This lack of association across other categories confirms that it is specifically retail investors' focus on investment-related issues that predicts subsequent capital expenditures, rather than general investor-firm interactions.

Lastly, to address the possibility that the relation between investment and RII is driven by persistence in both variables, we conduct a simple Granger-style lead-lag analysis. We regress future investment on current RII while controlling for current investment, and also test whether current investment predicts future RII . As reported in Table A8, RII_t significantly predicts INV_{t+1} even after controlling for INV_t , whereas INV_t does not predict RII_{t+1} . This asymmetric pattern suggests that investment responds to lagged retail-investor interest—consistent with a catering channel—rather than reflecting autocorrelation or a feedback effect from investment decisions to

¹⁷ We choose this period because investor postings are only available after 2010, and we want the analysis not to be contaminated by the Shanghai exchange's HDY-style platform introduced in the second half of 2013.

¹⁸ The marginally negative coefficient on *Government Relations* likely indicates that when investors focus more on this topic, it signals heightened attention to regulatory, political, or policy risks rather than investment opportunities. Managers may interpret such attention as concern about government intervention or oversight, prompting a more cautious approach to capital expenditures.

subsequent retail-investor attention.

5.2. Addressing Endogeneity Concerns

A major platform redesign in November 2011 substantially improved categorization and search functions, enabling investors to retrieve historical investor-firm interactions (i.e., Q&As) more efficiently before submitting new questions. This redesign created a substitution effect: when relevant prior information becomes easier to locate, investors have less need to post new inquiries. Firms with a high proportion of investment-related posts prior to the redesign had already accumulated substantial investment-related Q&As, and the redesign made this content far more accessible. Consequently, investors could obtain answers directly from the historical record, leading to a relative decline in new investment-related posts (*RII*) for these firms. In contrast, firms with low pre-redesign *RII* had limited historical investment-related content. Even with improved search tools, investors could not locate satisfactory answers and therefore continued to post new questions, resulting in a relative increase in *RII*. In short, the redesign reduced investment-related posting activity primarily for firms with sufficient pre-existing interactive contents available to substitute away from new queries.

To identify which firms were more exposed to this mechanism, we first examine the cross-sectional determinants of pre-redesign *RII*. We regress *RII* on investment and a set of firm characteristics commonly associated with investment decisions—including market value, leverage, return on assets, firm age, Tobin's Q, and operating cash flow. These variables mirror those in our PSM procedure in Section 4.3.2 and capture economic factors that might jointly influence both *RII* and investment. As reported in Table A10, only firm age significantly predicts pre-redesign *RII*: younger firms receive more investment-related posts from retail investors. All other characteristics are statistically insignificant. This pattern suggests that firm age is a useful proxy for investors' propensity to rely on HDY for investment-related information before the redesign. Younger firms tend to be more opaque, have shorter operating histories, and possess less accumulated public information, making retail investors more likely to inquire about their investment activities.

Motivated by this evidence, we divide SZSE firms into two groups based on the median firm

age: younger firms (below the median) form the treated group, and older firms serve as controls.¹⁹ Panel A of Figure 2 shows that treated firms indeed exhibit higher pre-redesign *RII*, consistent with the cross-sectional results in Table A10. Importantly, Panel A also shows no differential pre-trend between the two groups, whereas a sharp divergence emerges immediately after the redesign. To formally assess this pattern, we estimate a dynamic event-study specification. As shown in Figure 2, Panel B, all pre-treatment coefficients are statistically indistinguishable from zero, supporting parallel trends. In contrast, nearly all post-redesign coefficients are significantly negative, linking the decline in *RII* among treated firms directly to the November 2011 HDY redesign. Consistent with these patterns, the DID estimate in Column (1) of Table 8 shows a significantly negative *Treat* \times *Post* coefficient, confirming that the redesign disproportionately reduced investment-related inquiries for treated firms.

Finally, we examine whether the redesign-induced decline in investment-related inquiries translates into real investment effects. To do so, we replace *RII* with future investment (*INV*) as the dependent variable in our difference-in-differences specification. As reported in Table 8, Column (2), the coefficient on *Treat* \times *Post* is negative and statistically significant, indicating that firms more exposed to the redesign—namely, younger firms whose *RII* dropped after the redesign—also reduced subsequent investment.²⁰ This result provides strong support for the catering mechanism: by lowering investors’ propensity to submit investment-related questions, the HDY redesign reduced retail investors’ revealed interest in firm investments. In turn, firms become less inclined to cater to retail investors through elevated investment, leading to a measurable decline in real investment following the reduction in investment-related inquiries.

5.3. Cross-Sectional Variation in Managerial Catering

To further support the interpretation that the positive relation between *RII* and subsequent

¹⁹ Our results are robust to directly using the level of ex ante investment-related inquiries to define treatment. In Table A11, we repeat the analysis in Table 8 using firms with above-median ex ante investment-related inquiries as the treated group and those with below-median inquiries as controls. All results continue to hold.

²⁰ Figure A1 shows that pre-redesign trends in *INV* are not statistically distinguishable between treated and control firms. In contrast, nearly all post-redesign coefficients are significantly negative, linking the decline in investment to the reduction in *RII* for treated firms caused by the HDY redesign.

investment reflects managerial catering, we examine how this effect varies with commonly studied variables that may amplify or weaken catering incentives. Table 9 presents these results.

Posting volume. Column (1) explores whether the intensity of investor-firm interactions amplifies managerial catering by interacting *RII* with the number of investment-related posts (*Post Num*), scaled by 100. The specification builds on Column (2) of Table 7, adding both *Post Num* and the interaction term $RII \times Post\ Num$. The coefficient on the interaction term is positive and statistically significant at the 5% level, indicating that managers are more responsive to *RII* when investment-related posting volume is high. Specifically, a one-standard-deviation rise in *Post Num* (0.038) increases the investment-*RII* sensitivity by 0.304% (0.0801×0.038), or 135% of the sensitivity for a firm with the sample mean number of *Post Num* ($0.226\% = 0.0009 + 0.0801 \times 0.017$). This finding suggests that managers are especially likely to cater to investor sentiment when message boards are saturated with investment-related posts, reflecting greater perceived investor interest in firm investment.

Post Length. Longer investor messages typically require more effort to craft, often include specific facts or reasoning, and thereby signal deeper investor attention and interest. Managers may interpret such posts as evidence that investors are closely scrutinizing their investment decisions, increasing the incentive to cater. Column (2) examines whether investor attentiveness intensifies managerial catering by interacting *RII* with the average length of investment-related posts (*Post Length*), scaled by 100. The coefficient on the interaction term is positive and significant at the 5% level, indicating that managers are more responsive to *RII* when post length is high. Specifically, a one-standard-deviation rise in *Post Length* (0.279) increases the investment-*RII* sensitivity by 0.310% (0.0111×0.279), or 140% of the sensitivity for a firm with the average post length ($0.221\% = -0.0027 + 0.0111 \times 0.442$). This finding supports the idea that longer posts reflect greater investor interest, thereby increasing perceived pressure on managers to respond.

Retail sentiment. Managers are more likely to cater to retail investors when retail sentiment is high (Arif and Lee, 2014). In Column (3), we test this by interacting *RII* with buy-sell imbalance (*BSI*)—a standard proxy for retail sentiment defined as the difference between retail buy and sell

volumes, scaled by total trading volume (Kumar and Lee, 2006; Kaniel et al., 2008).²¹ The coefficient on the interaction term is positive and significant at the 10% level, indicating that firms with stronger retail buying pressure exhibit greater investment responsiveness to *RII*. A one-standard-deviation rise in *BSI* (0.013) raises the investment-*RII* sensitivity by 0.175% (0.1346×0.013), or 83% of the investment-*RII* sensitivity for a firm with the sample mean level of *BSI* ($0.212\% = 0.0032 + 0.1346 \times -0.008$).

Pay-performance sensitivity. Column (4) tests whether managerial catering is stronger when CEO compensation is more sensitive to (short-term) stock price movements, as these CEOs stand to benefit more from catering. Specifically, we interact *RII* with pay-performance sensitivity (*PPS*), defined as the sensitivity of CEO pay to contemporaneous stock returns, estimated during the pre-treatment period.²² The interaction coefficient is positive and significant at the 5% level. A one-standard-deviation rise in *PPS* (0.218) increases the investment-*RII* sensitivity by 0.174% (0.0080×0.218), or 85% of the investment-*RII* sensitivity for a firm with the sample mean level of *PPS* ($0.205\% = 0.0020 + 0.0080 \times 0.007$). This finding aligns with the fundamental premise of the catering theory, which suggests that managers with stronger short-term incentives are more likely to adjust investment in response to visible investor interest (Stein, 1996; Polk and Sapienza, 2009).

Board independence. Column (5) tests whether stronger corporate governance dampens managerial catering by interacting *RII* with board independence, measured as the proportion of independent directors on the board prior to HDY's launch (*IndepDirectors*). The interaction term coefficient is negative and significant at the 5% level, indicating that firms with a higher percentage of independent directors exhibit weaker investment-*RII* sensitivity. A one-standard-deviation rise in *IndepDirectors* (0.052) reduces the investment-*RII* sensitivity by 0.184% (0.0353×0.052), or 87% of the investment-*RII* sensitivity for a firm with the sample mean proportion of independent directors ($0.212\% = 0.0150 - 0.0353 \times 0.365$). This result is consistent with the view that

²¹ Retail trades are classified as those orders with a volume below 50,000 RMB, which is the smallest trade-size category reported in CSMAR. Specifically, CSMAR classifies trades into four groups: small (<50,000 RMB), medium (50,000–199,999 RMB), large (200,000–999,999 RMB), and extra-large (≥ 1 million RMB).

²² Because *PPS* is measured ex ante and hence is a constant for each firm, the individual term *PPS* is absorbed by firm fixed effects. The same applies to board independence in Column (4).

independent directors strengthen oversight and constrain managerial behavior driven by short-term market pressures (e.g., Fama and Jensen, 1983).

Taken together, the five moderators point in a consistent direction: managerial catering to investment-related chatter is most pronounced when investor interactive platform activity is high, retail buying pressure is stronger, CEO compensation is more sensitive to stock performance, and internal governance is weaker. These patterns reinforce the interpretation that the positive investment-*RII* sensitivity reflects managerial catering to retail investors.

5.4. Long-Term Performance of HDY-Responsive Firms

While the positive relation between *RII* and subsequent investment is consistent with managerial catering to investor sentiment, it could also reflect managerial learning from investor posts. That is, managers might incorporate valuable insights from posts focused on capital expenditures (so-called “wisdom of the crowd”), leading to more informed and efficient investment decisions. While Section 5.3 employed standard cross-sectional diagnostics from the catering literature—such as trading pressure, governance, and number of posts—to support the catering interpretation, the most conclusive evidence lies in examining whether firms that respond more strongly to investor posts experience better or worse long-term outcomes.

Under the catering hypothesis, managers increase capital expenditures in response to observed retail investment interest to support short-term stock valuations, at the expense of long-term performance. This view predicts lower future profitability for firms that are highly responsive to investor posts. In contrast, the “wisdom of the crowd” hypothesis suggests that managers use investor posts as an informational resource, enhancing capital allocation and resulting in improved long-term performance.

To test these competing mechanisms, we examine the cross-sectional variation in long-run outcomes among treated firms, based on the extent to which their investment decisions respond to *RII*. Specifically, for each treated firm i , we estimate the following time-series regression using quarterly data from 2010Q1 to 2013Q2:

$$INV_{i,t+1} = \beta_1 RII_{i,t} + \beta_2 Q_{i,t} + \beta_3 CFO_{i,t} + \beta_4 INVA_{i,t} + \varepsilon_{i,t+1} \quad (4)$$

We then construct ΔINV^{HDY} as a measure of how strongly firm i 's investment responds to investor postings, defined as the magnitude of the product between firm i 's average RII over the 14 quarters and its coefficient $\widehat{\beta}_1$. Thus, higher values of ΔINV^{HDY} indicate stronger responsiveness of firm i 's investment to RII .

Following the procedure in Section 4.4, we split treated firms into two groups based on their responsiveness to investor postings. *Treat High* (*Treat Low*) denotes treated firms with above-median (below-median) values of ΔINV^{HDY} . As shown in Table 10, the coefficient of *Treat High* \times *Post* is more negative (-0.0066) than that of *Treat Low* \times *Post* (-0.0028), with the difference being statistically significant at the 10% level. Economically, -0.0066 represents a decline in profitability of 15.71% relative to the sample mean.

Together, these results provide further evidence in support of the catering mechanism: firms that respond more strongly to retail investment interest revealed by HDY postings tend to make suboptimal investment decisions, ultimately leading to weaker long-term performance.

6. Additional Analyses

6.1. Effect of HDY's Launch on Information Asymmetry

Our study assumes that the introduction of the HDY platform reduces information asymmetry, thereby weakening informed investors' incentives to acquire and incorporate private information into stock prices. In this section, we directly test this assumption by examining whether HDY's launch leads to a decline in information asymmetry for treated firms.

We estimate the following DID regressions

$$Asym_{i,t} = \beta_1 Treat_i \times Post_t + \gamma X_{i,t} + \mu_i + \lambda_t + \varepsilon_{i,t} \quad (5)$$

where *Asym* is either Amihud (2002) illiquidity or the quoted bid-ask spread, *Post* equals one from 2010 Q1 onward, *Treat* equals one for Shenzhen firms, and the control vector $X_{i,t}$ includes firm size, inverse of share price, financial leverage, market-to-book ratio, intangible assets, institutional ownership, foreign ownership, and state ownership (Lee and Zhong, 2022). We include firm fixed effects (μ_i) and year-quarter fixed effects (λ_t). Note that *Treat* and *Post* are absorbed by these fixed effects.

Table 11 shows that $Treat \times Post$ loads significantly negatively for both proxies: illiquidity falls by 19.72% and spreads by 16.46%, relative to their respective pre-HDY standard deviations. These patterns are in line with the findings of Lee and Zhong (2022). Collectively, these results are consistent with interactive investor platforms improving market liquidity and reducing the extent to which prices are driven by privately informed trading. In this sense, interactive platforms may enhance forecasting price efficiency (prices track fundamentals more closely through public signals) while lowering revelatory price efficiency (prices convey less incremental private information to managers). This shift helps explain why managers in treated firms place less weight on price signals when making investment decisions.

6.2. Short- and Long-Term Valuation for HDY-Responsive Firms

We next ask whether the capital expenditure surge documented for firms highly responsive to retail posts on HDY delivers the short-lived valuation “pop”—and, crucially, whether this increase subsequently reverses. Using the same DID design as in Section 4.5, we replace the dependent variable with the market-to-book ratio (M/B) and interact the treatment indicators with four post-period year indicators, $Post 1$ through $Post 4$. The specification is

$$M/B_{it} = \sum_{k=1}^4 (\beta_{1k} Treat\ High \times Post_k + \beta_{2k} Treat\ Low \times Post_k) + Z_{it} + \alpha_i + \delta_t + \varepsilon_{it} \quad (6)$$

where $Treat\ High$ ($Treat\ Low$) equals 1 for treated firms whose ΔINV^{HDY} is above (below) the median, and Z includes firm size and inverse of share price. All regressions include firm and year fixed effects, and standard errors are clustered at the industry level.

Table 12 reports our results. When averaged across the four post-HDY years, the interaction terms are insignificant for both groups (-0.1071 for $Treat\ High$; 0.0350 for $Treat\ Low$), suggesting that any valuation gains are transitory. However, the year-by-year coefficients reveal a pronounced “spike-and-fade” pattern for firms in the high-catering group. In the first post-HDY year, $Treat\ High \times Post 1$ is 0.5086 ($t = 3.41$), implying a 15.27% jump in M/B relative to the sample mean of 3.33. The premium reverses in the next year (-0.2668 , $t = -2.33$), deepens in year 3 (-0.3640 , $t = -3.46$), and remains negative in year 4 (-0.3057 , $t = -2.35$). In contrast, firms in the $Treat\ Low$ group

—those less inclined to cater to retail investor interest—exhibit no comparable fluctuation. Their year-specific coefficients are small and statistically insignificant, indicating stable valuations for firms that refrain from catering to retail investor investment interest.²³

In essence, managers who heed interactive platform enthusiasm can win a short-term popularity contest: the initial investment push is met with a sharp rise in valuation. Yet the market soon corrects once weaker cash-flow realizations become apparent, sending valuations below their starting point. Firms that resist this temptation—our cater-low group—experience neither the initial run-up nor the subsequent hangover, reflecting a steadier, more disciplined investment path. Together, the valuation dynamics, investment patterns, and profitability outcomes reveal a fundamental trade-off: chasing short-term value appreciation comes at the expense of longer-term shareholder value.

7. Conclusion

We examine how retail investor engagement affects real corporate decisions using the Shenzhen Stock Exchange’s requirement that all SZSE-listed firms interact with investors on the Hu Dong Yi (HDY) platform. This regulatory shock alters how managers receive and process information from markets and shareholders. We show that retail investor engagement through HDY weakens managerial learning from stock prices: investment- q sensitivity falls sharply for treated firms, followed by a persistent decline in operating performance. Together, these patterns indicate a reduction in revelatory price efficiency—prices contain less new, decision-relevant information for managers when they make investment choices.

At the same time, HDY creates a non-price channel through which retail investors influence corporate investment. The share of investment-related posts—our measure of retail investment interest—strongly predicts subsequent capital expenditures, even after controlling for Tobin’s Q and cash flows. We provide plausibly causal evidence using an HDY platform redesign, and we

²³ The marginally significant coefficient on *Treat Low* \times *Post 1* aligns with the notion that a reduction in information asymmetry can lower the cost of capital and, in turn, raise firm valuation—even in the absence of catering effects. The p -value for the difference between *Treat Low* \times *Post 1* and *Treat High* \times *Post 1* is 0.0370, suggesting that cater-high firms indeed receive an additional, short-term market reward.

corroborate the catering interpretation with cross-sectional tests and long-run performance analyses.

Taken together, the evidence paints a nuanced picture of investor engagement. On the one hand, HDY improves liquidity and appears to reduce information asymmetry, outcomes typically associated with more efficient prices. On the other hand, by crowding out informed trading and amplifying retail sentiment around salient topics such as expansion and capex, the platform weakens the extent to which prices guide investment and encourages managers to cater to short-lived waves of enthusiasm.

Our findings have several implications. First, digital engagement tools can improve forecasting price efficiency (how well prices track fundamentals in the aggregate), while simultaneously harming revelatory price efficiency (how much incremental information prices convey to managers). Second, by showing that dispersed retail investors—when given a prominent and observable voice through a transparent, platform-mediated channel—can distort real investment, our results speak directly to the design of fintech innovations aimed at “empowering” retail investors. Platforms that facilitate broad, low-cost communication between investors and managers can enhance transparency and participation, but they can also create pressures that steer managers toward catering and erode firm value over the long run. As digital channels continue to improve investor-firm communication worldwide, careful attention to how these technologies interact with managerial incentives will be essential for realizing their potential benefits while limiting unintended costs.

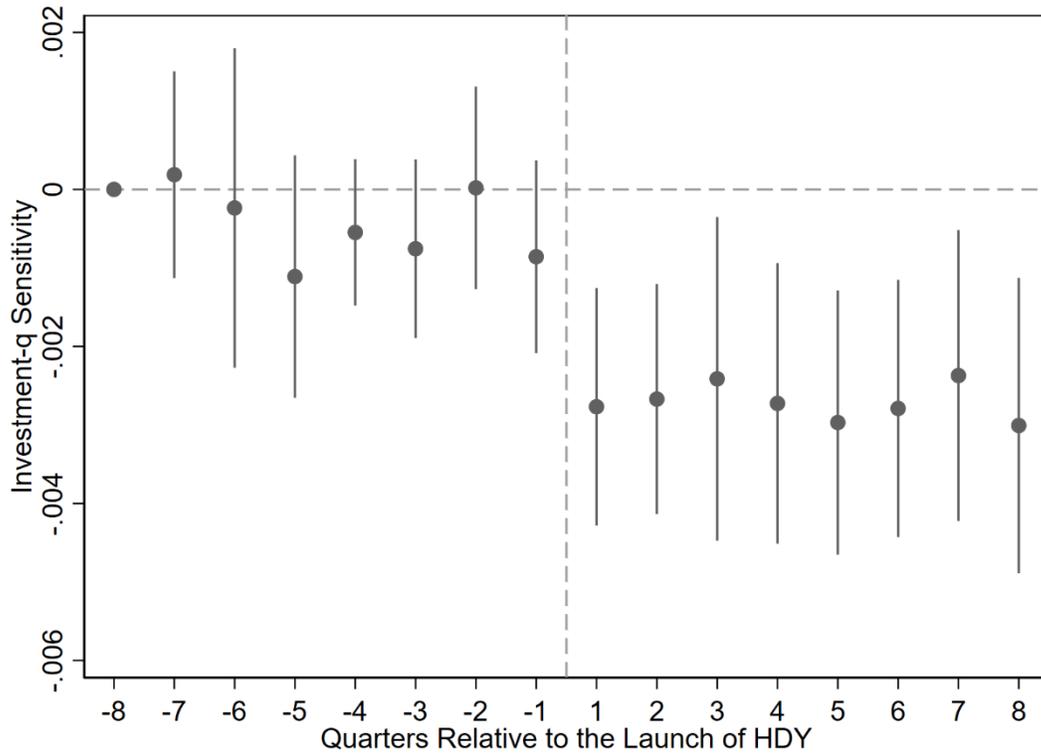
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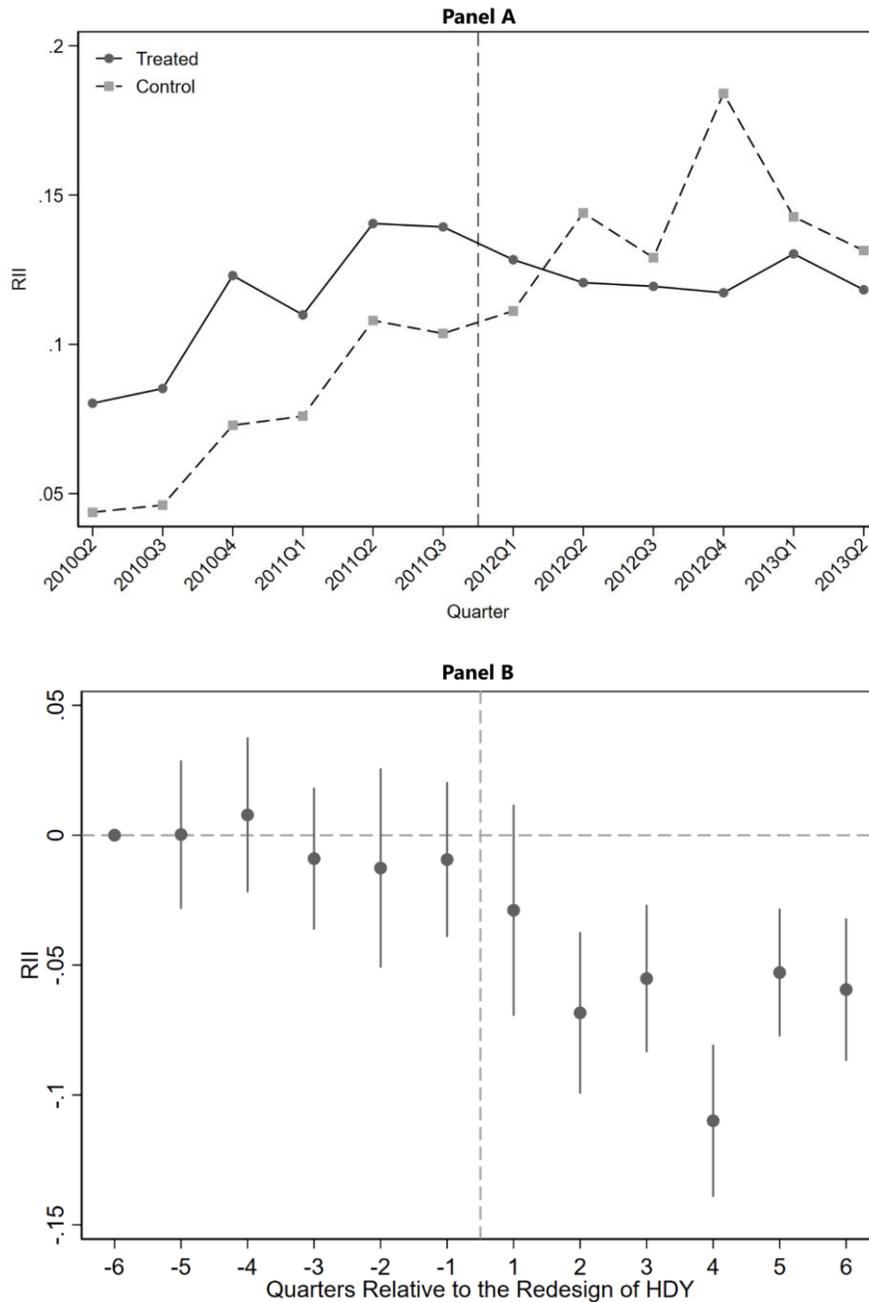
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Figure 1. Dynamic effects of HDY's launch on investment- q sensitivity



This figure plots the dynamic effects of interactive investor platforms on investment- q sensitivity. Event time is measured in quarters from $t = -8$ to $t = +8$, where Quarter 1 = 2010Q1 and Quarter -1 = 2009Q4; Quarter -8 (2008Q1) is omitted and serves as the benchmark. Plotted points are the coefficients on $Treat \times Quarter T \times Q$ (for $T = -8$ to 8) along with their 90% confidence intervals.

Figure 2. Dynamic effects of HDY’s redesign on *RII*



This figure plots retail investment interest (*RII*) for treated and control firms around the November 2011 HDY redesign. Firms are classified into treated and control groups based on whether their pre-redesign firm age is below or above the sample median. Panel A presents the quarterly average *RII* for both groups from 2010Q2 to 2013Q2 (six quarters before and after the redesign), with the vertical dashed line indicating the timing of the redesign (2011Q4, which is removed from the sample). Panel B plots the dynamic effects of the HDY redesign on *RII*. Event time is measured in quarters from $t = -6$ to $t = +6$, where Quarter 1 = 2012Q1 and Quarter -1 = 2011Q3. The first quarter in the sample is omitted and serves as the benchmark. Plotted points are the coefficients on $Treat \times Quarter\ T$ (for $T = -6$ to 6) along with their 90% confidence intervals.

Table 1. Sample selection

<i>Learning Analysis</i>	Tables	Obs. (firm-quarters)
SZSE and SSE firms with non-missing total asset data for the eight quarters before and after the event (2008Q1–2011Q4)		24,112
Drop financial firms		–896
Drop ST firms		–5,424
Drop firms cross-listed in Hong Kong		–736
Drop firm-quarters missing outcome/control variables, firms without pre-event observations, and singleton observations		–102
Final sample	3, 4C, 5, 11*	16,954
<i>Long-Term Performance (annual level)</i>	Tables	Obs. (firm-years)
SZSE and SSE firm-years with non-missing total asset data for the four years before and after the event (2006–2013)		14,516
Drop financial firms		–494
Drop ST firms		–2,748
Drop firms cross-listed in Hong Kong		–466
Drop firm-years missing outcome/control variables, firms without pre-event observations, and singleton observations		–1,638
Final sample	6, 10, 12*	9,170
<i>Catering Analysis</i>	Tables	Obs. (firm-quarters)
SZSE firm-quarters with non-missing total asset data for the fourteen quarters after the event (2010Q1–2013Q2)		15,106
Drop financial firms		–293
Drop ST firms		–2,374
Drop firms cross-listed in Hong Kong		–191
Drop firm-quarters missing outcome/control variables, firms without pre-event observations, and singleton observations		–3,874
Final sample	7, 8*, 9	8,374

This table describes the sample construction process used in our learning analysis, long-term performance analysis, and catering analysis. The sample size of Table 11 (Table 12) differs slightly from that of Tables 3, 4C, and 5 (Tables 6 and 9) due to differences in outcome and control variables. The sample size in Table 8 also differs slightly from that in Tables 7 and 9 due to the exclusion of the HDY redesign quarter, 2011Q4.

Table 2. Summary statistics

Variable	N	Mean	P25	P50	P75	SD
Learning analysis						
<i>INV</i>	16,954	0.017	0.003	0.010	0.022	0.021
<i>Treat</i>	16,954	0.448	0.000	0.000	1.000	0.497
<i>Post</i>	16,954	0.499	0.000	0.000	1.000	0.500
<i>Q</i>	16,954	1.979	1.290	1.645	2.276	1.069
<i>INVEST</i>	16,954	0.544	0.163	0.367	0.745	0.536
<i>CFO</i>	16,954	0.013	-0.009	0.012	0.035	0.043
<i>Interact</i>	16,954	0.178	0.000	0.000	0.000	0.383
<i>ASSET</i>	16,954	21.840	21.018	21.726	22.535	1.130
Long-term performance analysis						
<i>ROA</i>	9,170	0.042	0.014	0.035	0.063	0.049
<i>ASSET</i>	9,170	21.858	21.026	21.733	22.570	1.136
<i>Leverage</i>	9,170	0.484	0.349	0.497	0.627	0.187
<i>PPE</i>	9,170	0.267	0.129	0.235	0.382	0.178
<i>Cash Holdings</i>	9,170	0.164	0.079	0.132	0.215	0.120
<i>Q</i>	9,170	1.855	1.209	1.540	2.123	1.012
Catering analysis						
<i>INV</i>	8,374	0.018	0.004	0.011	0.024	0.020
<i>RII</i>	8,374	0.108	0.000	0.000	0.154	0.194
<i>Q</i>	8,374	2.075	1.326	1.689	2.375	1.181
<i>INVEST</i>	8,374	0.579	0.188	0.421	0.802	0.534
<i>CFO</i>	8,374	0.010	-0.012	0.010	0.032	0.042
<i>Post Num</i>	8,374	0.017	0.000	0.000	0.020	0.038
<i>Post Length</i>	3,483	0.442	0.240	0.380	0.565	0.279
<i>BSI</i>	8,372	-0.008	-0.015	-0.005	0.001	0.013
<i>PPS</i>	6,604	0.007	-0.071	0.005	0.101	0.218
<i>IndepDirectors</i>	8,374	0.365	0.333	0.333	0.385	0.052
Additional analyses						
<i>Illiquidity</i>	16,767	0.088	0.022	0.043	0.090	0.137
<i>Bid-ask Spread</i>	16,763	0.169	0.118	0.150	0.199	0.076
<i>M/B</i>	9,099	3.330	1.691	2.632	4.225	2.376

This table presents summary statistics for all variables used in the analysis. All variables are winsorized at the 1% and 99% percentiles. Detailed variable definitions are provided in Appendix B.

Table 3. Effect of interactive platforms on investment- q sensitivity

Dep. Var.	INV_{t+1}	
	(1)	(2)
$Treat \times Post \times Q$	-0.0021*** (-3.00)	-0.0022*** (-3.07)
$Treat \times Post$	0.0034* (1.98)	0.0032* (1.87)
Q	0.0011* (1.80)	0.0011* (1.86)
$Treat \times Q$	0.0012* (1.88)	0.0012* (1.92)
$Post \times Q$	0.0013** (2.50)	0.0013** (2.45)
$INVEST$	0.0000 (0.02)	-0.0001 (-0.04)
CFO	-0.0022 (-1.03)	0.0063 (1.18)
$Treat \times Post \times CFO$		0.0196* (1.96)
$Treat \times CFO$		-0.0257*** (-3.95)
$Post \times CFO$		-0.0013 (-0.16)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	16,954	16,954
Adjusted R^2	0.3483	0.3486

This table presents results from difference-in-differences regressions examining the effect of interactive investor platforms on investment- q sensitivity. $Treat$ is an indicator variable equal to one for firms listed on the Shenzhen Stock Exchange and zero for firms listed on the Shanghai Stock Exchange. $Post$ is an indicator variable equal to one for quarters in or after 2010 and zero otherwise. The dependent variable is future investment (INV), defined as capital expenditure in quarter $t+1$ scaled by lagged total assets. All other variables are measured in quarter t , including Tobin's Q (Q), operating cash flow (CFO), and the inverse of total assets ($INVEST$). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 4. Robustness
Panel A. PSM sample and annual data

Dep. Var.	INV_{t+1}	
	(1)	(2)
Sample	PSM Sample	Annual Data
$Treat \times Post \times Q$	-0.0030*** (-3.35)	-0.0104** (-2.44)
$Treat \times Post$	0.0053** (2.46)	0.0217** (2.31)
Q	0.0006 (0.70)	0.0110*** (3.18)
$Treat \times Q$	0.0018* (1.93)	-0.0004 (-0.11)
$Post \times Q$	0.0020** (2.70)	0.0077** (2.52)
$INVASt$	0.0005 (0.22)	0.0358*** (3.54)
CFO	0.0080 (0.89)	0.0175 (1.01)
$Treat \times Post \times CFO$	0.0180 (1.24)	0.0579 (1.48)
$Treat \times CFO$	-0.0248** (-2.35)	-0.0208 (-0.70)
$Post \times CFO$	-0.0014 (-0.12)	0.0002 (0.01)
Firm FE	Yes	Yes
Year-quarter FE	Yes	No
Year FE	No	Yes
Obs.	9,322	4,267
Adjusted R^2	0.3541	0.4678

Panel B. Placebo events

Dep. Var.	INV_{t+1}	
	(1)	(2)
Event time	2006Q1	2008Q1
$Treat \times Post \times Q$	-0.0019 (-0.36)	0.0008 (0.87)
$Treat \times Post$	0.0051 (0.84)	-0.0013 (-0.74)
Q	0.0080 (1.58)	0.0033*** (4.32)
$Treat \times Q$	-0.0003 (-0.06)	-0.0014* (-1.78)
$Post \times Q$	-0.0035 (-0.70)	-0.0003 (-0.39)
$INVASt$	-0.0015	0.0012

	(-0.62)	(0.71)
<i>CFO</i>	-0.0137	-0.0010
	(-1.59)	(-0.15)
<i>Treat × Post × CFO</i>	-0.0086	-0.0144
	(-0.43)	(-1.29)
<i>Treat × CFO</i>	0.0090	-0.0058
	(0.60)	(-0.50)
<i>Post × CFO</i>	0.0115	0.0065
	(1.15)	(0.84)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	12,353	14,189
Adjusted R^2	0.3094	0.3201

Panel C. Using the first interaction instead of the HDY implementation

Dep. Var.	INV_{t+1}
	(1)
<i>Interact × Q</i>	-0.0012** (-2.37)
<i>Interact</i>	0.0417** (2.35)
<i>Q</i>	0.0019*** (4.34)
<i>ASSET</i>	-0.0012 (-0.90)
<i>CFO</i>	-0.0032 (-1.22)
<i>Interact × CFO</i>	0.0052 (0.70)
<i>Interact × ASSET</i>	-0.0018** (-2.31)
Firm FE	Yes
Year-quarter FE	Yes
Obs.	16,954
Adjusted R^2	0.3489

This table reports robustness checks. Panel A examines the sensitivity of our baseline results to sample construction and data frequency. Column (1) replicates the regression from Table 3 using a matched sample constructed via one-to-one propensity score matching without replacement. Matching covariates include market value, leverage, return on assets, firm age, Tobin's Q, and operating cash flow, with matches restricted to firms within the same industry. Column (2) re-estimates the regression using annual rather than quarterly data. Panel B presents placebo tests. Column (1) treats 2006Q1 as the pseudo-event and estimates over 2004Q1–2007Q4; Column (2) treats 2008Q1 as the pseudo-event and estimates over 2006Q1–2009Q4. Panel C implements a staggered difference-in-differences design to estimate the effect of initial investor interaction on investment- q sensitivity. *Interact* is an indicator variable that equals one in the quarter when a firm receives its first interactive post on the HDY platform and in all subsequent quarters, and zero otherwise. The dependent variable is future investment (INV) in quarter $t+1$, with all other variables measured in quarter t . All other specifications follow those in Table 3.

Table 5. Effects of pre-treatment financial constraints and growth opportunities

Dep. Var. Partitioning Var.	INV_{t+1}			
	Financial Constraints		Growth Opportunities	
Proxy	(1) <i>Whited-Wu</i>	(2) <i>Dividend</i>	(3) <i>Sales Growth</i>	(4) <i>M/B ratio</i>
<i>Treat High</i> × <i>Post</i> × <i>Q</i> [a]	−0.0029*** (−3.71)	−0.0024*** (−3.25)	−0.0025*** (−3.20)	−0.0019** (−2.61)
<i>Treat Low</i> × <i>Post</i> × <i>Q</i> [b]	−0.0019** (−2.41)	−0.0016* (−2.01)	−0.0011 (−1.30)	−0.0008 (−0.77)
p-value of [a]<[b]	0.0102	0.0385	0.0155	0.0525
Other controls	Yes	Yes	Yes	Yes
Firm + Year-quarter FE	Yes	Yes	Yes	Yes
Obs.	16,954	16,954	16,954	16,954
Adjusted R^2	0.3490	0.3488	0.3496	0.3489

This table examines whether the decline in investment- q sensitivity following the launch of HDY varies with firms' financial constraints and growth opportunities. Column (1) classifies treated firms with a below-median (above-median) *Whited-Wu* index into *Treat High* (*Treat Low*); Column (2) classifies treated firms that did (did not) paid dividends ex ante into *Treat High* (*Treat Low*); Column (3) classifies treated firms with above-median (below-median) *Sales Growth* ratio into *Treat High* (*Treat Low*); and Column (4) classifies treated firms with above-median (below-median) *M/B ratio* into *Treat High* (*Treat Low*). All measures are constructed using pre-treatment period data. All specifications include all control variables and are similar to those used in Column (2) of Table 3. Only the relevant coefficients are tabulated for parsimony. Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. **, *, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 6. Effect of interactive platforms on long-term performance

Dep. Var.	ROA_{t+1}		
	(1)	(2)	(3)
$Treat \times Pre4$		-0.0029 (-1.16)	-0.0029 (-1.16)
$Treat \times Pre3$		-0.0026 (-0.85)	-0.0026 (-0.85)
$Treat \times Pre2$		0.0014 (0.66)	0.0014 (0.66)
$Treat \times Post$	-0.0046** (-2.34)	-0.0055*** (-2.77)	
$Treat \times Post1$			-0.0046** (-2.46)
$Treat \times Post2$			-0.0050** (-2.28)
$Treat \times Post3$			-0.0073** (-2.66)
$Treat \times Post4$			-0.0050* (-1.91)
$ASSET$	-0.0063*** (-2.71)	-0.0063*** (-2.70)	-0.0063*** (-2.70)
$Leverage$	-0.0008 (-0.08)	-0.0007 (-0.07)	-0.0006 (-0.06)
PPE	-0.0021 (-0.21)	-0.0022 (-0.21)	-0.0021 (-0.21)
$Cash Holdings$	0.0502*** (6.43)	0.0502*** (6.42)	0.0502*** (6.39)
Q	0.0086*** (10.96)	0.0086*** (11.04)	0.0086*** (11.03)
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Obs.	9,170	9,170	9,170
Adjusted R^2	0.5414	0.5414	0.5413

This table presents results from difference-in-differences regressions examining the effect of interactive investor platforms on future performance. The dependent variable is future profitability (ROA), defined as net income scaled by total assets in year $t+1$. All other variables are measured in year t . $Treat$ is an indicator variable equal to one for firms listed on the Shenzhen Stock Exchange, and zero otherwise. $Post$ is an indicator variable equal to one for years in or after 2010, and zero otherwise. $PreT$ is an indicator variable that equals one in the T -th year prior to 2010, while $PostT$ is an indicator variable that equals one in the T -th year following 2010. Control variables include log total assets ($ASSET$), Tobin's Q (Q), leverage ratio ($Leverage$), fixed assets (PPE), and cash and cash equivalents ($Cash Holdings$). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 7. Retail investment interest and subsequent investment

Dep. Var.	INV_{t+1}	
	(1)	(2)
<i>RII</i>	0.0021** (2.40)	0.0021** (2.48)
<i>Q</i>		0.0002 (0.57)
<i>INVA</i>		0.0050* (1.94)
<i>CFO</i>		-0.0052 (-1.44)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	8,438	8,374
Adjusted R^2	0.4174	0.4191

This table examines the relation between retail investment interest and subsequent investment. Retail investment interest (*RII*) is calculated as the number of investment-related posts divided by the total number of posts. The dependent variable is future investment (*INV*), defined as capital expenditure in quarter $t+1$ scaled by lagged total assets. All other variables are measured in quarter t , including Tobin's Q (*Q*), operating cash flow (*CFO*), and the inverse of total assets (*INVA*). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 8. DID estimates of the HDY redesign on RII and subsequent investment

Dep. Var.	(1) <i>RII</i>	(2) <i>INV_{t+1}</i>
<i>Treat</i> × <i>Post</i>	-0.0583*** (-6.83)	-0.0048*** (-4.39)
<i>Q</i>	0.0092** (2.41)	0.0004 (0.92)
<i>INVEST</i>	-0.0411** (-2.53)	0.0039 (1.34)
<i>CFO</i>	-0.0183 (-0.37)	-0.0040 (-0.89)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	7,177	7,175
Adjusted <i>R</i> ²	0.1060	0.4225

This table reports difference-in-differences regressions examining the effect of the HDY redesign on *RII* (Column 1) and subsequent investment (Column 2). The variable *Treat* × *Post* equals one for treated firms in the post-redesign period. Firms are classified into treated and control groups based on whether their pre-redesign firm age is below or above the sample median. The dependent variable in Column (1) is retail investment interest (*RII*), defined as the proportion of investment-related posts in quarter *t*. The dependent variable in Column (2) is investment, defined as capital expenditures scaled by lagged total assets in quarter *t* + 1. All regressions control for Tobin's Q (*Q*), operating cash flow (*CFO*), and the inverse of total assets (*INVEST*). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. **

*, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 9. Retail investment interest and subsequent investment: Cross-sectional analysis

Dep. Var.	INV_{t+1}				
	(1)	(2)	(3)	(4)	(5)
$RII \times Post\ Num$	0.0801** (2.32)				
$RII \times Post\ Length$		0.0111** (2.11)			
$RII \times BSI$			0.1346* (1.79)		
$RII \times PPS$				0.0080** (2.40)	
$RII \times IndepDirectors$					-0.0353** (-2.13)
RII	0.0009 (0.89)	-0.0027 (-1.29)	0.0032*** (3.12)	0.0020** (2.46)	0.0150** (2.50)
$Post\ Num$	-0.0140 (-1.34)				
$Post\ Length$		-0.0005 (-0.27)			
BSI			0.0059 (0.30)		
Q	0.0002 (0.53)	0.0002 (0.32)	0.0002 (0.56)	0.0001 (0.14)	0.0002 (0.58)
$INVEST$	0.0050* (1.94)	0.0121** (2.58)	0.0051* (1.96)	0.0062* (2.01)	0.0050* (1.92)
CFO	-0.0051 (-1.41)	-0.0106 (-1.61)	-0.0052 (-1.46)	-0.0046 (-1.13)	-0.0051 (-1.40)
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes
Obs.	8,374	3,483	8,372	6,604	8,374
Adjusted R^2	0.4193	0.4264	0.4193	0.4095	0.4193

This table examines whether the positive effect of RII on subsequent investment varies with managerial catering incentives. The dependent variable is future investment (INV), defined as capital expenditure in quarter $t+1$ scaled by lagged total assets. $Post\ Num$ is the number of investment posts in quarter t . $Post\ Length$ is the average word count of investment posts in quarter t . BSI is the retail buy and sell imbalance in quarter t , defined as the average of daily net buying volume from orders under 50,000 RMB divided by total order volume. PPS is the ex-ante pay-performance sensitivity, calculated as coefficients estimated from firm-level regressions of manager compensation on stock returns over 2006–2009. $IndepDirectors$ is the ex-ante proportion of independent directors as of 2009. All control variables in Table 7 are included. Standard errors are clustered at the industry level, and t -statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 10. Long-term performance of firms whose investment are influenced by retail interest

Dep. Var.	ROA_{t+1}
Partitioning Var.	(1) ΔINV^{HDY}
<i>Treat High</i> × <i>Post</i> [a]	-0.0066*** (-2.91)
<i>Treat Low</i> × <i>Post</i> [b]	-0.0028 (-1.18)
<i>ASSET</i>	-0.0061** (-2.63)
<i>Leverage</i>	-0.0012 (-0.12)
<i>PPE</i>	-0.0020 (-0.19)
<i>Cash Holdings</i>	0.0498*** (6.50)
<i>Q</i>	0.0087*** (10.76)
p-value of [a]<[b]	0.0647
Firm FE	Yes
Year FE	Yes
Obs.	9,168
Adjusted R^2	0.5418

This table examines whether the decline in ROA among treated firms depends on the extent to which their investment decisions respond to retail investment interest (RII). *Treat High* (*Low*) is an indicator variable equal to one for treated firms with above-median (below-median) values of ΔINV^{HDY} . ΔINV^{HDY} is calculated as the investment adjustment driven by RII over the 14 quarters from 2010Q1 to 2013Q2, based on firm-level time-series regressions. All control variables from Table 6 are included. Standard errors are clustered at the industry level, and t -statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 11. Information asymmetry

Dep. Var.	<i>Illiquidity</i> (1)	<i>Bid-ask Spread</i> (2)
<i>Treat</i> × <i>Post</i>	−0.0429*** (−6.98)	−0.0157*** (−7.98)
<i>SIZE</i>	−0.0573*** (−5.66)	−0.0329*** (−7.29)
<i>INVPRC</i>	0.3658*** (3.66)	0.4097*** (8.12)
<i>Leverage</i>	−0.0173 (−0.85)	0.0186** (2.42)
<i>M/B</i>	−0.0020 (−1.10)	0.0024*** (2.85)
<i>Intangible</i>	0.1179* (1.99)	0.0231 (0.98)
<i>Institutional Ownership</i>	0.0002*** (2.98)	0.0003*** (6.39)
<i>Foreign Ownership</i>	0.0037 (1.44)	0.0010 (1.03)
<i>State Ownership</i>	−0.0137 (−0.89)	−0.0021 (−0.41)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	16,767	16,763
Adjusted R^2	0.6081	0.7712

This table presents results from difference-in-differences regressions examining the effect of interactive investor platforms on information asymmetry. The dependent variable in Column (1) is *Illiquidity*, measured following the Amihud (2002) specification of stock illiquidity in quarter t . The dependent variable in Column (2) is *Bid-ask Spread*, defined as the average daily bid-ask spread in quarter t , where the daily spread is the difference between ask and bid prices divided by their average. Control variables include firm size (*SIZE*), the inverse of stock price (*INVPRC*), leverage ratio (*Leverage*), market-to-book ratio (*M/B*), intangible assets (*Intangible*), institutional ownership (*Institutional Ownership*), foreign ownership (*Foreign Ownership*), and state ownership (*State Ownership*). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table 12. Short- and long-term valuation of firms whose investment are influenced by retail interest

Dep. Var.	M/B	
	(1) ΔINV^{HDY}	(2) ΔINV^{HDY}
Partitioning Var.		
<i>Treat High</i> × <i>Post</i> [a]	-0.1071 (-1.00)	
<i>Treat Low</i> × <i>Post</i> [b]	0.0350 (0.41)	
<i>Treat High</i> × <i>Post1</i> [c]		0.5086*** (3.41)
<i>Treat Low</i> × <i>Post1</i> [d]		0.2306* (1.77)
<i>Treat High</i> × <i>Post2</i> [e]		-0.2668** (-2.33)
<i>Treat Low</i> × <i>Post2</i> [f]		0.0006 (0.01)
<i>Treat High</i> × <i>Post3</i> [g]		-0.3640*** (-3.46)
<i>Treat Low</i> × <i>Post3</i> [h]		-0.0497 (-0.47)
<i>Treat High</i> × <i>Post4</i> [i]		-0.3057** (-2.35)
<i>Treat Low</i> × <i>Post4</i> [j]		-0.0469 (-0.35)
Other controls	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Obs.	9,099	9,099
Adjusted R^2	0.7283	0.7304
p-value of [a]<[b]	0.1106	
p-value of [c]>[d]		0.0370
p-value of [e]<[f]		0.0106
p-value of [g]<[h]		0.0067
p-value of [i]<[j]		0.0947

This table investigates whether treated firms with greater investment responsiveness to HDY posts experience a temporary increase in valuation following the launch of HDY. The dependent variable is market-to-book ratio (M/B), defined as market value of equity divided by book value of equity. *Treat High* (*Low*) is an indicator variable equal to one for treated firms with above-median (low-median) values of ΔINV^{HDY} . ΔINV^{HDY} is calculated as the investment adjustment driven by RII over the 14 quarters from 2010Q1 to 2013Q2, based on firm-level time-series regressions. *Post* is an indicator variable equal to one for years in or after 2010, and zero otherwise. *PostT* is an indicator variable that equals one in the T -th year following 2010. Control variables include firm size ($SIZE$), the inverse of stock price ($INVPRC$), leverage ratio ($Leverage$), intangible assets ($Intangible$), institutional ownership ($Institutional\ Ownership$), foreign ownership ($Foreign\ Ownership$), and state ownership ($State\ Ownership$). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Appendix A. Examples of Investment-Related Posts

In this appendix, we present representative examples of investment-related posts from the HDY platform. The original posts were written in Chinese and have been translated into English, with care taken to preserve their original meaning, tone, and emphasis. These examples frequently urge firms to expand capital expenditures or pursue acquisitions and explicitly link such actions to short-term share-price gains, illustrating the catering channel discussed in the paper.

Example 1. 日发精机 (stock code: 002520)

Recently, many companies have launched seasoned equity offerings, channeling proceeds into projects with highly attractive prospects, whether in new-economy sectors or resource-related ventures. Likewise, firms that raised surplus funds in their IPOs have invested heavily in promising industries. In a less-than-ideal economic climate, ample cash is a tremendous advantage. In my view, your company should seize this window of opportunity and make full use of the valuable capital entrusted by investors: accelerate R&D, expand aggressively in domestic and overseas markets, pursue acquisitions and mergers, and strengthen the core business. However, the reality has been somewhat disappointing. Idle capital is never a good sign. Is the industry facing overcapacity? Or is the much-touted R&D capability more limited than expected? This issue deserves urgent attention from management. I understand the need for prudence—capital is hard-won—but excessive caution often leads to missed opportunities.

Example 2. 皖通科技 (stock code: 002331)

The stock's rise today—despite a broader market decline—signals investor confidence in the company's recent merger and acquisition strategy. Please make the most of your excess IPO proceeds: acquire more high-potential companies and bid aggressively for engineering projects so the company can grow bigger and stronger as quickly as possible. Many firms are currently cash-constrained, presenting a rare opportunity to acquire valuable assets at attractive prices. Once business conditions improve, they won't be willing to sell—or will hold out for a much higher price. So please seize this golden window while it lasts.

Example 3. 鲁阳节能 (stock code: 002088)

Hello! Has construction of Phase II of the rock-wool project begun? When will it be finished? The market conditions are favorable right now, so I recommend accelerating the build-out.

Example 4. 泰和新材 (stock code: 002254)

Do you currently have any research beyond aramid 1313 and 1414? Are there other new-materials projects under study? We need to keep introducing new products. As Manager Song said, once product R&D reaches a certain stage, many companies will follow—just like what happened with spandex—so if the company wants first-mover advantage, it must keep researching and stay ahead. I feel your firm can step up R&D and keep its lead in fibers! After all, your greatest strength is technology. As for market value, just keep it in mind—focus on doing your job well. If the technology is strong and the business grows bigger and stronger, how could the market cap not go up? Keep it up!

Example 5. 齐翔腾达 (stock code: 002408)

The company's net profit this year is approximately RMB 800 million. Have you considered expanding butadiene production capacity—investing RMB 500–600 million to add 100,000 tons

of butadiene? The market is strong, and butadiene should remain in short supply going forward. In addition, could the company consider acquiring a rare-earth mine? That could be used for rare-earth rubber, increase profits, and add more upward momentum to the share price. In fact, when the stock goes up, it also serves as advertising for the company.

Example 6. 棕榈股份 (stock code: 002431)

Your company has RMB 1.2 billion in excess IPO proceeds. I suggest allocating a portion of these funds to investments in the new-energy and new-materials sectors, which may deliver better returns and help lift the share price.

Example 7. 联发股份 (stock code: 002431)

Your company invested RMB 50 million in high-risk cotton futures—an effort that, in the end, delivered only a marginal profit or merely broke even, without lifting the share price. Why not instead allocate RMB 30–50 million to the mining sector (rare earths, gold, copper, etc.) or the new-energy industry (lithium batteries, solar photovoltaics)? Even if these investments don't yield immediate profits, they could ignite a dramatic surge in the share price.

Example 8. 东方电热 (stock code: 300217)

I strongly recommend that the company make a strategic investment in rare-earth resources. As a manufacturer, our operations rely on rare metals; with substantial surplus IPO proceeds, we are well positioned to enter this high-potential sector. A well-executed move into rare earths could more than triple our share price and lift market capitalization toward RMB 10 billion—benefiting all shareholders. If a funding gap arises for acquisitions after the market cap rises, we could refinance at higher prices. Your competitor Corun (Firm ID: 600478) is a successful precedent—its share price tripled after buying a rare-earth firm and it then raised funds at a premium. Jiangxi Province, rich in rare-earth deposits and home to many small miners, presents an attractive starting point. Investment there would support local economic development while aligning with our long-term growth strategy. We could begin with early-stage exploration and scale up as the opportunity develops. In short, once we move into rare earths the stock and market cap should surge—RMB 10 billion would no longer be a dream—so I ask you to consider and act on this suggestion.

Example 9. 华中数控 (stock code: 300161)

I don't agree with Chairman Chen's view on 3D (three-dimensional digital innovative design). Look at the stock prices of U.S. 3D companies—you can see the sector's potential. If we can secure Huazhong University of Science and Technology's 3D project, the share price could surge to at least RMB 30 per share, and then a seasoned offering of 30 million shares could raise nearly RMB 1 billion to reinvest in 3D and scale up quickly. With 3D and H8 (the Huazhong No. 8 Intelligent CNC System) as dual growth engines, the company's prospects would be bright.

Example 10. 上海莱士 (stock code: 002252)

I hope the company will expand its development of serum-protein drugs for new therapeutic indications, broaden and diversify its product portfolio ahead of competitors, fully leverage the capacity of its new plant, and enhance the value of both its tangible and intangible assets. These measures would help ease valuation pressure in the secondary market and lay a solid foundation for future growth.

Appendix B. Variable Definitions

Variable	Definition
Learning analysis	
<i>INV</i>	Investment, measured as capital expenditures scaled by lagged total assets.
<i>Treat</i>	Indicator variable equal to 1 for Shenzhen-listed firms and 0 for Shanghai-listed firms.
<i>Post</i>	Indicator variable equal to 1 for quarters in or after 2010, and 0 otherwise.
<i>Q</i>	Tobin's Q, calculated as the sum of the market value of equity and the book value of debt, divided by total assets.
<i>INVA</i>	The inverse of total assets.
<i>CFO</i>	Operating cash flow scaled by total assets.
<i>Interact</i>	Indicator variable equal to 1 in the quarter when a firm receives its first interactive post on the HDY platform and in all subsequent quarters, and zero otherwise.
<i>Whited-Wu</i>	Average Whited-Wu index over the period 2008–2009.
<i>Dividend</i>	Indicator variable equal to 1 if a firm paid dividends during 2008–2009, and 0 otherwise.
<i>Sales Growth</i>	Average sales growth over 2008–2009.
<i>M/B ratio</i>	Average market-to-book ratio over 2008–2009.
Long-term performance analysis	
<i>ROA</i>	Net income divided by total assets.
<i>ASSET</i>	Natural logarithm of total assets.
<i>Leverage</i>	Total liabilities divided by total assets.
<i>PPE</i>	Fixed assets divided by total assets.
<i>Cash Holdings</i>	Cash and cash equivalents scaled by total assets.
Catering analysis	
<i>RII</i>	Retail investment interest, defined as the number of investment-related posts divided by the total number of posts.
<i>Post Num</i>	Number of investment-related posts, scaled by 100.
<i>Post Length</i>	Average word count of investment-related posts, scaled by 100.
<i>BSI</i>	Retail buy-sell imbalance, calculated as the average daily net buying volume from orders under 50,000 RMB divided by total order volume.
<i>IndepDirectors</i>	Proportion of independent directors in 2009.
<i>PPS</i>	Pay-performance sensitivity, measured as coefficients from firm-level regressions of manager compensation on stock returns between 2006 and 2009.
ΔINV^{HDY}	Firm-level measure of investment responsiveness to <i>RII</i> , constructed from time-series regressions over 14 quarters (2010Q1–2013Q2).
Additional analyses	

<i>Illiquidity</i>	Average daily ratio of the absolute stock return to trading volume in quarter t , following the Amihud (2002) specification of stock illiquidity.
<i>Bid-ask Spread</i>	Average daily bid-ask spread in quarter t , where the daily spread is calculated as the difference between the ask and bid prices divided by their average.
<i>M/B</i>	Market-to-book ratio, calculated as the market value of equity divided by the book value of equity.
<i>SIZE</i>	Natural logarithm of market value.
<i>INVPRC</i>	Inverse of the stock price.
<i>Intangible</i>	Intangible assets scaled by total assets.
<i>Institutional Ownership</i>	Proportion of total shares held by institutional investors.
<i>Foreign Ownership</i>	Proportion of total shares held by foreign investors.
<i>State Ownership</i>	Proportion of total shares held by the state.

Online Appendix

Table A1. HDY posts for all SZSE firms from 2010 Q1 to 2013 Q2

Category	Frequency	Percent
1. Corporate Governance	23,741	7.19%
2. Government Relations	29,654	8.99%
3. Investment	28,418	8.61%
4. Production and Operation	62,546	18.95%
5. Disclosure	33,464	10.14%
6. Business relations	22,386	6.78%
7. Financing	21,389	6.48%
8. Public Relations	14,299	4.33%
9. Capital Markets	37,632	11.40%
10. Strategic Planning	17,817	5.40%
11. Others	38,682	11.72%
Total	330,028	100.00%

This table categorizes all HDY posts for firms listed on the Shenzhen Stock Exchange (SZSE) from 2010 Q1 to 2013 Q2. Categories are based on the primary topic of each post, as classified by DataGo Technology Limited. Frequencies and corresponding percentages are calculated relative to the total number of posts.

Table A2. Parallel trend regression coefficients

Dep. Var.	INV_{t+1}	
	(1)	(2)
$Q \times Treat \times Pre7$	0.0002 (0.24)	0.0002 (0.24)
$Q \times Treat \times Pre6$	-0.0002 (-0.19)	-0.0002 (-0.20)
$Q \times Treat \times Pre5$	-0.0011 (-1.21)	-0.0011 (-1.21)
$Q \times Treat \times Pre4$	-0.0005 (-0.98)	-0.0005 (-0.99)
$Q \times Treat \times Pre3$	-0.0008 (-1.12)	-0.0008 (-1.12)
$Q \times Treat \times Pre2$	0.0000 (0.03)	0.0000 (0.03)
$Q \times Treat \times Pre1$	-0.0009 (-1.18)	-0.0009 (-1.17)
$Q \times Treat \times Post$	-0.0027*** (-2.74)	
$Q \times Treat \times Post1$		-0.0028*** (-3.08)
$Q \times Treat \times Post2$		-0.0027*** (-3.07)
$Q \times Treat \times Post3$		-0.0024* (-1.97)
$Q \times Treat \times Post4$		-0.0027** (-2.57)
$Q \times Treat \times Post5$		-0.0030*** (-2.97)
$Q \times Treat \times Post6$		-0.0028*** (-2.86)
$Q \times Treat \times Post7$		-0.0024** (-2.15)
$Q \times Treat \times Post8$		-0.0030** (-2.69)
Other controls	Yes	Yes
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	16,954	16,954
Adjusted R^2	0.3485	0.3484

This table reports regression results from the parallel trends test for the learning analysis. The dependent variable is future investment (INV), defined as capital expenditure in quarter $t+1$ scaled by lagged total assets. Other variables are measured in quarter t . $Treat$ is an indicator variable equal to one for firms listed on the Shenzhen Stock Exchange, and zero otherwise. $Post$ equals one for quarters in or after 2010 and zero otherwise. $PreT$ and $PostT$ are quarter-specific indicators that equal one in the T -th quarter prior to and following 2010, respectively. All control variables in Table 3 are included. Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. **

*, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table A3. PSM results using alternative calipers

Dep. Var.	INV_{t+1}		
	(1)	(2)	(3)
$Treat \times Post \times Q$	-0.0040*** (-3.63)	-0.0028*** (-2.93)	-0.0025** (-2.56)
$Treat \times Post$	0.0074*** (3.19)	0.0051** (2.33)	0.0044* (2.02)
Q	0.0001 (0.08)	0.0008 (0.97)	0.0007 (0.88)
$Treat \times Q$	0.0026** (2.10)	0.0017* (1.75)	0.0011 (1.16)
$Post \times Q$	0.0030*** (3.33)	0.0019** (2.52)	0.0018** (2.44)
$INVEST$	0.0023 (0.97)	-0.0012 (-0.41)	-0.0005 (-0.20)
CFO	0.0082 (0.69)	0.0095 (1.11)	0.0077 (1.02)
$Treat \times Post \times CFO$	0.0258 (1.50)	0.0157 (1.15)	0.0144 (1.15)
$Treat \times CFO$	-0.0253* (-1.76)	-0.0267** (-2.64)	-0.0223** (-2.29)
$Post \times CFO$	-0.0089 (-0.65)	-0.0037 (-0.33)	-0.0009 (-0.09)
Firm FE	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes
Obs.	6,204	9,803	10,594
Adjusted R^2	0.3435	0.3550	0.3589

This table tests the robustness of our propensity score matching (PSM) results to alternative caliper widths. Columns (1), (2), and (3) use calipers of 0.01, 0.10, and 0.25, respectively. All other specifications follow those in Column (1) of Table 4, Panel A.

Table A4. Effect of interactive investor platforms on investment- q sensitivity: Robustness to the 2010 margin-trading pilot

Dep. Var.	INV_{t+1}	
	(1)	(2)
$Treat \times Post \times Q$	-0.0025*** (-3.05)	-0.0025*** (-3.05)
$Treat \times Post$	0.0034* (1.95)	0.0034* (1.95)
Q	0.0009 (1.39)	0.0009 (1.39)
$Treat \times Q$	0.0016** (2.21)	0.0016** (2.21)
$Post \times Q$	0.0014** (2.59)	0.0014** (2.59)
$INVEST$	0.0002 (0.12)	0.0002 (0.12)
CFO	0.0062 (1.05)	0.0062 (1.05)
$Treat \times Post \times CFO$	0.0216** (2.05)	0.0216** (2.05)
$Treat \times CFO$	-0.0301*** (-4.34)	-0.0301*** (-4.34)
$Post \times CFO$	0.0005 (0.05)	0.0005 (0.05)
$MarginPilot \times Post \times Q$		0.0009 (0.64)
$MarginPilot \times Post$		-0.0061* (-1.97)
$MarginPilot \times Q$		-0.0021 (-1.01)
$MarginPilot \times Post \times CFO$		-0.0290 (-1.03)
$MarginPilot \times CFO$		0.0264 (1.12)
Firm/Quarter FE	Yes	Yes
Obs.	16,214	16,954
Adjusted R^2	0.3459	0.3492

This table presents results from difference-in-differences regressions examining the effect of interactive investor platforms on investment- q sensitivity. *MarginPilot* is an indicator equal to one for firms included in the 2010 margin-trading and short-selling pilot program. Column (1) re-estimates the full specification in Table 3 after excluding *MarginPilot* firms from the sample, while Column (2) augments the baseline specification by adding interactions of *MarginPilot* with *Post*, *Q*, and *CFO*. All other variable definitions and controls are identical to those in Table 3. Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table A5. Main results with alternative clustering and fixed effects

Dep. Var.	INV_{t+1}			
	(1)	(2)	(3)	(4)
$Treat \times Post \times Q$	-0.0022*** (-2.97)	-0.0022** (-2.75)	-0.0024*** (-3.31)	-0.0024*** (-2.99)
$Treat \times Post$	0.0032* (1.88)	0.0032* (1.82)	0.0032* (1.89)	0.0029* (1.75)
Q	0.0011** (2.20)	0.0011* (2.01)		
$Treat \times Q$	0.0012 (1.60)	0.0012 (1.47)	0.0017** (2.28)	
$Post \times Q$	0.0013** (2.50)	0.0013** (2.38)		
$INVEST$	-0.0001 (-0.04)	-0.0001 (-0.03)	-0.0007 (-0.37)	-0.0020 (-0.76)
CFO	0.0063 (0.97)	0.0063 (0.68)	0.0065 (1.20)	0.0052 (0.87)
$Treat \times Post \times CFO$	0.0196* (1.70)	0.0196 (1.65)	0.0195* (1.97)	0.0211* (1.92)
$Treat \times CFO$	-0.0257*** (-2.95)	-0.0257*** (-3.38)	-0.0260*** (-4.08)	-0.0262*** (-3.46)
$Post \times CFO$	-0.0013 (-0.15)	-0.0013 (-0.12)	-0.0020 (-0.24)	-0.0049 (-0.58)
Firm FE	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes
Year-quarter FE x Q	No	No	Yes	Yes
Industry FE x Q	No	No	Yes	No
Firm FE x Q	No	No	No	Yes
Cluster	Firm	Firm/Quarter	Industry	Industry
Obs.	16,954	16,954	16,954	16,954
Adjusted R^2	0.3486	0.3486	0.3527	0.3855

This table presents regression results assessing the effect of interactive investor platforms on investment- q sensitivity under alternative fixed effects and clustering methods. Column (1) includes firm and year-quarter fixed effects, with standard errors clustered at the firm level. Column (2) uses the same fixed effects but clusters standard errors at both the firm and quarter levels. Column (3) augments the main specification by adding interactions of Q with year-quarter and industry fixed effects, with standard errors clustered at the industry level. Column (4) further includes interactions of Q with firm fixed effects, with clustering also at the industry level.

Table A6. Effect of HDY on long-term performance: alternative sample periods**Panel A. Sample period: 2007–2012**

Dep. Var.	ROA_{t+1}		
	(1)	(2)	(3)
<i>Treat</i> × <i>Pre3</i>		−0.0022 (−0.73)	−0.0022 (−0.73)
<i>Treat</i> × <i>Pre2</i>		0.0016 (0.80)	0.0016 (0.80)
<i>Treat</i> × <i>Post</i>	−0.0050** (−2.61)	−0.0051** (−2.56)	
<i>Treat</i> × <i>Post1</i>			−0.0038* (−1.98)
<i>Treat</i> × <i>Post2</i>			−0.0045** (−2.04)
<i>Treat</i> × <i>Post3</i>			−0.0070** (−2.51)
Controls	Yes	Yes	Yes
Firm/Year FE	Yes	Yes	Yes
Obs.	6,998	6,998	6,998
Adjusted R^2	0.5906	0.5906	0.5906

Panel B. Sample period: 2008–2011

Dep. Var.	ROA_{t+1}		
	(1)	(2)	(3)
<i>Treat</i> × <i>Pre2</i>		0.0019 (0.98)	0.0019 (0.98)
<i>Treat</i> × <i>Post</i>	−0.0050*** (−2.76)	−0.0041** (−2.18)	
<i>Treat</i> × <i>Post1</i>			−0.0034* (−1.86)
<i>Treat</i> × <i>Post2</i>			−0.0047** (−2.17)
Controls	Yes	Yes	Yes
Firm/Year FE	Yes	Yes	Yes
Obs.	4,734	4,734	4,734
Adjusted R^2	0.6859	0.6859	0.6858

This table replicates the long-term performance analysis in Table 6 using alternative sample periods. Panel A restricts the sample to 2007–2012 (three years before and after the policy), and Panel B restricts the sample to 2008–2011 (two years before and after the policy). The dependent variable is future profitability (ROA), defined as net income scaled by total assets in year $t+1$; all other variables are measured in year t . All specifications follow those in Table 6, including the same set of control variables (total assets, Tobin's Q , leverage, fixed assets, and cash holdings). Firm and year fixed effects are included in all regressions. Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table A7. Retail interest in non-investment topics and subsequent investment

Dep. Var.	INV_{t+1}									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RI_1	0.0010 (0.92)									
RI_2		-0.0011* (-1.74)								
RI_4			-0.0001 (-0.16)							
RI_5				0.0002 (0.20)						
RI_6					0.0001 (0.10)					
RI_7						0.0017 (1.66)				
RI_8							-0.0000 (-0.03)			
RI_9								-0.0012 (-1.37)		
RI_{10}									0.0003 (0.30)	
RI_{11}										-0.0005 (-0.56)
Q	0.0002 (0.62)	0.0002 (0.63)	0.0002 (0.61)	0.0002 (0.61)	0.0002 (0.61)	0.0002 (0.61)	0.0002 (0.61)	0.0002 (0.60)	0.0002 (0.61)	0.0002 (0.60)
$INVEST$	0.0049* (1.90)	0.0049* (1.92)	0.0050* (1.93)	0.0050* (1.92)	0.0050* (1.92)	0.0049* (1.91)	0.0050* (1.92)	0.0050* (1.92)	0.0050* (1.92)	0.0050* (1.92)
CFO	-0.0053 (-1.45)	-0.0054 (-1.48)	-0.0053 (-1.46)	-0.0053 (-1.45)	-0.0053 (-1.47)	-0.0053 (-1.48)	-0.0053 (-1.46)	-0.0053 (-1.46)	-0.0053 (-1.46)	-0.0053 (-1.46)
Firm/Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	8,374	8,374	8,374	8,374	8,374	8,374	8,374	8,374	8,374	8,374
Adjusted R^2	0.4188	0.4188	0.4187	0.4187	0.4187	0.4189	0.4187	0.4188	0.4187	0.4187

This table examines the relation between retail interest (RI) in non-investment topics and subsequent investment. Each column replaces RII in Table 7 with the proportion of posts in a different HDY discussion category—corporate governance (RI_1), government relations (RI_2), production and operation (RI_4), disclosure (RI_5), business relations (RI_6), financing (RI_7), public relations (RI_8), capital markets (RI_9), strategic planning (RI_{10}), and others (RI_{11}). RI_3 is equivalent to the investment-related measure (RII) in Table 7 and is therefore omitted. All other variable definitions and specifications follow those in Table 7.

Table A8. Lead-lag analysis between retail investment interest and investment

Dep. Var.	INV_{t+1} (1)	RII_{t+1} (2)
<i>RII</i>	0.0018** (2.06)	0.0028 (0.18)
<i>INV</i>	0.1609*** (7.86)	0.2100 (1.37)
<i>Q</i>	0.0002 (0.55)	0.0055 (1.31)
<i>INVA</i>	0.0059** (2.60)	-0.0029 (-0.26)
<i>CFO</i>	-0.0094** (-2.31)	-0.0267 (-0.62)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	8,374	8,374
Adjusted R^2	0.4343	0.1037

This table reports lead-lag regressions examining whether the relation between retail investment interest (*RII*) and investment (*INV*) is driven by temporal persistence in either variable. Column (1) repeats the specification in Column (2) of Table 7 but additionally controls for current-period investment. Column (2) reverses the timing by regressing next-quarter *RII* (RII_{t+1}) on current investment, current *RII*, and the same control variables as in Column (1). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table A9. *RII* and subsequent investment: extended sample

Dep. Var.	<i>INV</i> _{<i>t+1</i>}	
	(1)	(2)
<i>RII</i>	0.0021 ^{***} (4.01)	0.0022 ^{***} (4.04)
<i>Q</i>		0.0010 ^{***} (4.89)
<i>INVA</i> <i>ST</i>		-0.0010 (-0.71)
<i>CFO</i>		-0.0038* (-1.87)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	39,192	37,917
Adjusted <i>R</i> ²	0.3299	0.3347

This table examines the relation between retail investment interest and subsequent investment using an extended sample of all SZSE- and SSE-listed firms from 2010Q1 to 2019Q4. Retail investment interest (*RII*) is calculated as the number of investment-related posts divided by the total number of posts. The dependent variable is future investment (*INV*), defined as capital expenditure in quarter *t+1* scaled by lagged total assets. All other variables are measured in quarter *t*, including Tobin's Q (*Q*), operating cash flow (*CFO*), and the inverse of total assets (*INVA**ST*). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ^{***}, ^{**}, and ^{*} denote significance at the 1%, 5%, and 10% levels, respectively.

Table A10. Determinants of pre-redesign retail investment interest (*RII*)

	(1) <i>RII</i> _{<i>t</i>+1}
<i>Q</i>	0.0032 (0.71)
<i>CFO</i>	-0.0758 (-1.08)
<i>INV</i>	0.2893 (1.40)
<i>Leverage</i>	-0.0216 (-1.00)
<i>Age</i>	-0.0026*** (-3.43)
<i>SIZE</i>	0.0091 (1.58)
<i>ROA</i>	-0.0811 (-0.62)
Obs.	4,192
Adjusted <i>R</i> ²	0.0078

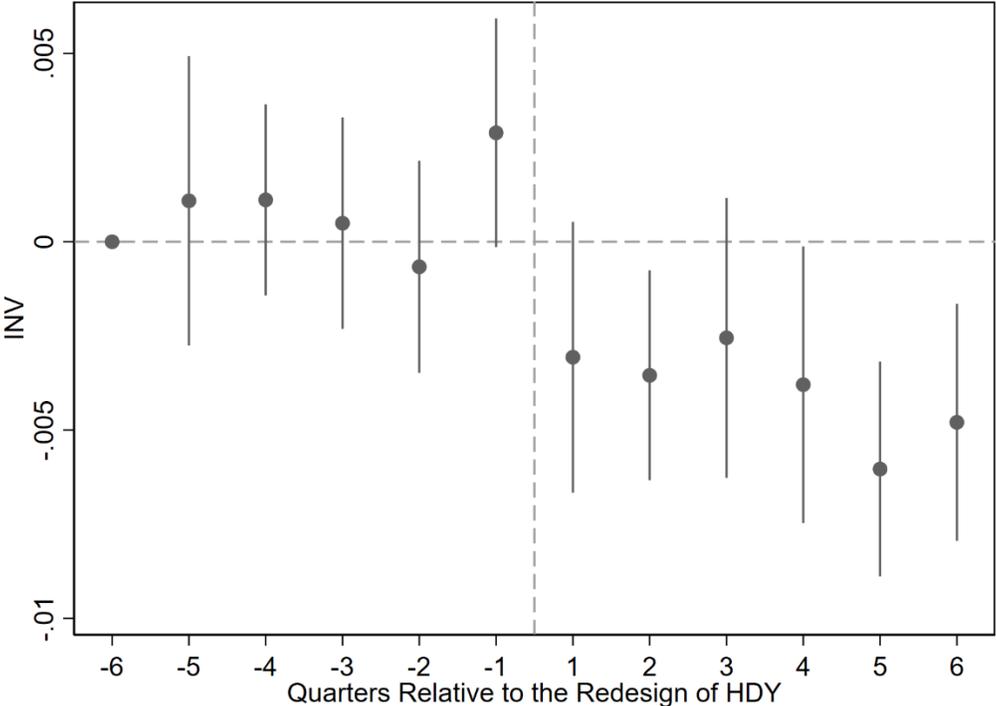
This table reports cross-sectional regressions examining the determinants of firms' pre-redesign retail investment interest (*RII*). The dependent variable is *RII* in the pre-redesign period (2010Q1–2011Q3). Independent variables include Tobin's Q (*Q*), operating cash flow (*CFO*), investment (*INV*), leverage ratio (*Leverage*), firm age (*Age*), firm size (*SIZE*), and return on assets (*ROA*). No firm fixed effects are included, as the objective is to capture cross-sectional variation in *RII* rather than within-firm variation. Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Table A11. The effect of HDY redesign on *RII* and subsequent investment: Treatment based on ex ante investment-related inquiries

Dep. Var.	(1) <i>RII</i>	(2) <i>INV_{t+1}</i>
<i>Treat</i> × <i>Post</i>	−0.0912*** (−8.51)	−0.0028*** (−2.73)
<i>Q</i>	0.0077** (2.12)	0.0003 (0.70)
<i>INVA</i> <i>ST</i>	−0.0164 (−0.89)	0.0060** (2.11)
<i>CFO</i>	−0.0170 (−0.34)	−0.0039 (−0.87)
Firm FE	Yes	Yes
Year-quarter FE	Yes	Yes
Obs.	7,177	7,175
Adjusted <i>R</i> ²	0.1150	0.4203

This table reports difference-in-differences regressions examining the effect of the HDY redesign on *RII* (Column 1) and subsequent investment (Column 2). The variable *Treat* × *Post* equals one for treated firms in the post-redesign period. Firms are classified into treated and control groups based on whether their pre-redesign number of investment-related inquiries is above or below the sample median. The dependent variable in Column (1) is retail investment interest (*RII*), defined as the proportion of investment-related posts in quarter *t*. The dependent variable in Column (2) is investment, defined as capital expenditures scaled by lagged total assets in quarter *t* + 1. All regressions control for Tobin’s *Q* (*Q*), operating cash flow (*CFO*), and the inverse of total assets (*INVA**ST*). Standard errors are clustered at the industry level, and t-statistics are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Figure A1. Dynamic effects of the HDY redesign on subsequent investment



This figure plots the dynamic effects of HDY redesign on subsequent investment from 2010Q2 to 2013Q2 (six quarters before and after the redesign). The vertical dashed line marks the timing of the redesign (2011Q4), which is excluded from the estimation sample. Event time is measured in quarters from $t = -6$ to $t = +6$, where Quarter 1 = 2012Q1 and Quarter -1 = 2011Q3. Quarter -6 (2010Q2) is omitted and serves as the benchmark. Each point represents the estimated coefficient on $Treat \times Quarter T$, plotted together with its 90% confidence interval.