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The same market forces that drove Hua Medicine Ltd. to reduce the size of its Hong Kong IPO tempered participation by retail investors, which could help keep the Shanghai diabetes company's share price steady amidst a more volatile market.

Hua shares ended their first day of trading Friday unchanged at HK$8.28. The company raised HK$867 million ($110.5 million) in its o ering through the sale of 104.8 million shares at HK$8.28, valuing Hua at HK$8.7 billion ($1.1 billion).

EVP and CFO George Lin said Hua had initially planned to raise $200 million in the o ering. But the company reduced the size and priced on the low end of its HK$8.28-HK$9.29 range in light of U.S.-China trade tensions and a vaccine scandal that together have weighed on Chinese biopharma stocks. The poor performance of the first biotechs to go out on the exchange since Hong Kong Exchange and Clearing Ltd. (HKEX) launched its new prerevenue chapter in April has also been a major factor.

Ascletis Pharma Inc. was first out of the gate, raising HK$3.1 billion ($400 million) in an IPO in August that valued the antiviral company at HK$15.7 billion ($2 billion). Its market cap has since dropped nearly 50% to HK$8.2 billion ($1.1 billion) as of Friday.

BeiGene Ltd. added a Hong Kong listing last month, raising HK$7.1 billion ($902.7 million) at HK$108. As of Friday, its share price on HKEX sits at HK$98.65.

"In that backdrop, we were very cognizant that our valuation would be hit," said Lin.

But Lin added that the same factors also kept local retail investors away from the stock, which he said could help reduce volatility.

In a regulatory filing, Hua said the Hong Kong portion of the o ering was undersubscribed and the company subsequently reallocated about half of the original 10.5 million shares it allocated for Hong Kong investors to the international o ering. The final o ering included 5.2 million shares sold to Hong Kong investors and 99.5 million shares sold to international investors.

"In strong markets, if [retail investors] oversubscribe by a certain amount, they would get more than 10% and possibly up to 50% of the o ering," said Lin. "What we really want is for institutions to hold that stock — the ones that have done the work and had one-on-one meetings with us."

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Following the IPO, ABG II-Hua Ltd. holds a 3.7% stake in Hua, GIC Private Ltd. a 3.1% stake, BlackRock Asset Management North Asia Ltd. a 1.8% stake and Raymond James & Associates a 2.6% stake. GIC, the sovereign wealth fund of Singapore, also served as a cornerstone investor in the Ascletis IPO. Overall, institutional investors hold a 95% stake, with the remainder held by retail investors.

Hua is among the domestic innovators that Hong Kong market watchers believe will serve as harbingers of investor appetite. The Hong Kong IPO queue includes autoimmune and cancer company Innovent Biologics Inc. and cancer company Ascentage Pharma Group International, among others (see "Hong Kong's First Wave").

Hua CEO, CSO and Executive Director Li Chen was among the first crop of Chinese biotech innovators when he co-founded Hua in 2011 with Arch Venture Partners' Robert Nelsen, WuXi AppTec Co. Ltd. Chairman and CEO Ge Li and others. Chen was previously the founding director and CSO of the China R&D center of Roche.

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