

Dual-Listing on ADX: A short guide to expanding your market reach



April 2024

Expanding market reach and attracting diverse investors is a common goal for companies in today's globalised economy.

For companies already listed on a regional stock exchange, they may wish to seek another listing in different region. This allows for increased liquidity, visibility, and access to a wider range of investors from another region.

For Asian companies already listed on the Hong Kong Exchange (HKEX), the Singapore Exchange (SGX) or another Asian bourse, the Abu Dhabi Securities Exchange (ADX) is a potential option for reaching out to investors from the MENA and GCC regions.



Originally established as the Abu Dhabi Securities Market (ADSM) in 2000, it was rebranded as ADX in 2008 and has since grown into one of the fastest-growing financial markets in the world. ADX is now part of Abu Dhabi Developmental Holding Company (ADQ), a strategic investment holding company of the Abu Dhabi government.

We have been reliability informed that ADX would like to woe more overseas companies to list on ADX. Given UAE's central position in the Middle East's economic transformation, for anyone interested in listing in the region, ADX is certainly an interesting exchange for consideration.

Dual-listing on ADX

The current pool of companies dual-listed on the ADX is currently small. At the moment, we counted only five companies dual-listed on ADX¹, all from the GCC areas. They constitute about 6% of the total number of companies listed on ADX and 7% of its total market capitalisation.

While these numbers may seem tiny compared to HKEX and the Chinese exchanges of Shanghai and Shenzhen, ADX is comparable in market capitalisation to the SGX². ADX has consistently outperformed regional and global exchanges in the post-COVID pandemic financial markets.

Eligibility

Foreign companies are eligible to dual-list their shares on ADX. The process for dual-listing foreign companies on ADX follows a similar framework to that of local companies, with additional requirements such as appointing a representative in the UAE and complying with local disclosure

¹ As of early 2024, there are a total of 82 listed companies on the ADX.

² In 2023, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Exchange ranked 4th, 6th and 7th respectively by market capitalisation, while ADX and SGX ranked 21st and 23rd respectively (source: World Federation of Exchanges, August 2023)

obligations. To qualify, foreign companies must meet the eligibility criteria set by the UAE's Securities and Commodity Authority (SCA) and ADX. Foreign companies must:

- be a public, a joint-stock company or equivalent in its place of incorporation,
- be in compliance with all laws applicable to it in its home country,
- be already listed on a foreign exchange and the home exchange must be subject to the regulatory supervision of an authority which is a member of IOSCO,
- have at least 25% of its shares in public hands (15% - if the market capitalisation is more than AED5 billion) and have at least 100 shareholders,
- have equity must not be less than 100% of its capital (according to the company's latest audited financial statements),
- must have net profits in the last two financial years,
- have fully paid capital of at least AED 40 million,
- not have restrictions on share ownership transfer,
- have adequate operational capital sufficient for at least 12 months from admission.

Most companies listed on main markets of HKEX and SGX should already fulfil these criteria.

Process

To begin the dual-listing process, a foreign company must appoint an SCA-licensed listing advisor. This advisor plays a critical role in guiding the company through the listing process and ensuring compliance with regulatory requirements. Listing is by way of a prospectus (in Arabic) which must be approved by the SCA and ADX.

If approval is needed from the regulatory authority where the foreign company is already listed, it must be obtained before the shares can be listed on ADX.

Companies must also adhere to good corporate governance standards, with the SCA recommending adherence to their Corporate Governance Guide for public joint-stock companies. These standards should be easily met by companies already listed on HKEX or SGX.

Ongoing Obligations

Once listed on ADX, the foreign company must adhere to ongoing obligations, including:

- promptly disclosing of any material information,
- publishing the agenda and date of shareholders' meetings at least 15 days prior to the meeting, and promptly disclosing the outcome of the meeting once held,
- disclosing the agenda and date of board meetings where share price-affecting matters will be discussed at least two working days prior to the meeting and promptly disclosing the outcome of the meeting once held,

- promptly disclosing any changes to the board of directors and executive management,
- submitting annual and quarterly reports within 90 days and 45 days, respectively,
- promptly disclosing any large transactions of 5% or more of the company's assets,
- promptly disclosing the appointment or dismissal of auditors,
- promptly disclosing any material litigation that may impact the company's financial position.

Suspensions

ADX may suspend trading of foreign companies' shares under certain circumstances, including:

- suspensions made upon the request of the SCA,
- suspension for unusual price movements – until material information relating to such unusual price movements have been published,
- temporary suspension if the timing of a shareholders' meeting or board meeting coincides with trading hours – suspensions shall last until the outcome of the meeting are provided to the market,
- suspension for failure to disclose financial statements on time – suspension to last until after the financial statements are published,
- failure to comply with requests by ADX to provide information or disclosures, or
- if the ADX deems that exceptional circumstances or events exist that threaten the company's business or are against the public interest.

Conclusions

In conclusion, dual-listing on the ADX offers Asian companies a strategic opportunity to expand their market reach and tap into a diverse and different pool of investors.

With its impressive growth, resilient performance post COVID-19, and attractive ranking in capital raising, ADX provides a platform that combines stability and potential for companies seeking a refreshingly different listing venue.

Should you require any further information, please contact:



Voon Keat LAI
Group Managing Partner
M: +852 9300 7047
E: vkilai@kemp LLP.com