

## **Implementing Regulations No. 1 Concerning Sharjah Publishing City Free Zone Companies**

These Implementing Regulations are issued by the Chairman of the Sharjah Publishing City Free Zone Authority, pursuant to the Emiri Decree No. 14 of 2013 of H.H. Sheikh Sultan Bin Mohammad Al Qasimi, Ruler of Sharjah, regarding the establishment of the Sharjah Publishing City (Free Zone Authority).

1. In these Implementing Regulations the following expressions shall have the following meaning:

**“Decree”** the Emiri Decree No. 14 of 2013 regarding the establishment of the Sharjah Publishing City (Free Zone Authority) as amended from time to time;

**“Authority”** Sharjah Publishing City Free Zone Authority;

**“FZC”** A Free Zone Company formed and registered (or to be formed and registered) pursuant to these Implementing Regulations;

**“FZC Conditions”** Conditions relating to Free Zone Companies issued or to be issued by the Authority, as the same may be amended by the Authority from time to time;

**“FZC Department”** The Department of the Authority having responsibility for the formation, registration and regulation of FZC’s hereunder;

**“Shareholders”** The persons, whether an individuals, companies or other founders establishments, which are the shareholders or founders of any Free Zone Company formed and registered in accordance with these Implementing Regulations;

**“Board Resolution ”** A Resolution in writing by the Board of Directors as regards any matter decided by the Board of Directors in respect of the Free Zone Company as described in this Implementing Regulations & Articles of Association of the FZC.

## **Formation and registration**

3. The Company shall be a private limited liability Company (LLC) and therefore shall be an independent legal corporate entity which its liability is limited to its capital and no invitation shall be made to the public as such to subscribe for any shares, stock, debentures, or debenture stock of the Company.
4. Any company or any other establishment or person wishing to form a Free Zone Company must complete, execute and submit to the FZC Department an application form as prescribed from time to time by the Authority and provide the FZC Department with all such information and documentation as it may from time to time require.
5. Approval of any application to form any Free Zone Company shall be at the discretion of the Authority which reserves the right to reject any application or to require that such undertakings or guarantees be provided by or on behalf of any applicant as a condition to permission being given by the Authority for the formation of any Free Zone Company or as regards its registration or continuation of its registration in the FZC Register as the Authority in its sole discretion, may consider appropriate.
6. The Authority shall notify each applicant of the Authority's decision as to whether or not permission is granted for the formation of any Free Zone Company and regards what (if any) undertakings or guarantees it requires as condition to such permission being granted pursuant to paragraph 4 above within 30 days of receipt by the FZC Department of a valid application form from the applicant in question duly completed and executed by or on behalf of the applicant and together with all such other information and documentation as the Authority shall have required.
7. Upon permission being granted by the Authority for the formation of a Free Zone Company and the Authority being satisfied that the relevant share capital of the Free Zone Company to be formed has been fully contributed in accordance with paragraphs 8 to 10. Below, the Authority shall cause all relevant details concerning such Free Zone Company to be entered in the FZC Register and for a Certificate of Formation, duly executed by or on behalf of the Authority, to be issued.
8. Each Certificate of Formation shall specify, among other things, the date of registration of such Free Zone Company in the FZC Register. A Free Zone Company shall be deemed duly formed with effect from the date of registration thereof in the FZC Register. Each such Free Zone Company Shall then be capable of exercising all the functions of a Free Zone Company but with such liability on the part of its shareholder to contribute to its assets in the event of its being deregistered pursuant to these Implementing Regulations being limited to the full extent of the shareholder's share capital contribution to such Free Zone Company.

## **Share Capital**

9. The capital of each Free Zone Company shall be denominated in UAE Dirhams. The minimum capital of a Free Zone Company shall be AED 50,000 or such other amount as the Authority may from time to time determine.
10. The capital of each Free Zone Company shall be divided into shares. The number of shares shall be real numbers without fractions. Each share shall be numbered and shall be for UAE AED 1,000 or multiples thereof. A share certificate in such form shall represent each share as the Authority may prescribe from time to time.
11. The share capital of a Free Zone Company may only be paid in cash unless the Authority otherwise authorizes that the share capital be paid by way of contribution in kind or by a combination of cash and in kind contribution. Any such authorization shall be subject to such conditions as the Authority may require.
12. The share capital of a Free Zone Company may be altered by Board Resolution subject to the prior approval of the Authority. Details of each alteration in the share capital of a Free Zone Company shall be entered in the FZC Register and shall take effect from the date of such registration.

## **Name**

13. The name of a Free Zone Company must end with the initials FZC LLC. A Free Zone Company shall not be registered in the FZCO Register with a name, which is not approved by the Authority. A Free Zone Company may change its name by Board Resolution subject to the proposed new name being approved by the Authority. The new name of the Free Zone Company shall be entered in the FZC Register and a Certificate of Change of Name issued by the FZCO Department. Each Certificate of change of Name shall specify, among other things; the date of registration of the new name in the FZCO Register, being the date on which such new name shall take effect.

## **Registered Office & Branches**

14. Each Free Zone Company shall at all times have an office in the Free Zone to which all communications and notices may be addressed. Details of such office, which shall be its registered office, and of any change of address, shall be notified within 7 days to the FZC Department and details thereof promptly, entered in the FZC Register. Moreover the FZC can open branches in and outside the Free Zone, subject to the approval of the Authority and the competent authorities under which jurisdiction such branches will be opened.

### **Sign-Name Plate**

15. Every Free Zone Company shall affix and keep affixed its name on the outside of every office or place in which its business is carried on in a conspicuous position and in letters easily legible in accordance with the requirements of the Authority.

### **Business letters etc.**

16. Every Free Zone Company shall have its name mentioned in legible characters in its entire business letters, notices and other official publications. On all promissory notes, cheques and other bills of exchange and orders for money, goods or services purporting to be signed by or on behalf of the Free Zone Company and on all its parcels. Invoices receipts, letter of credit and guarantees.
17. Every Free Zone Company shall mention its registered office in legible characters in all its business letters and order forms.

### **Shares**

18. No share in a Free Zone Company may be issued unless the capital thereof is fully paid.
19. No Free Zone Company shall have less than two shareholders and not more than seven shareholders.
20. All shares issued by a Free Zone Company shall be of the same class.
21. No Free Zone Company may acquire its own shares. However any Free Zone Company may own all of the shares in any other Free Zone Establishment or shares in any company or other establishment subject to compliance with all applicable laws.
22. Every Free Zone Company shall complete and issue a share certificate to the Shareholders in respect of all shares held by them of such Free Zone Company forthwith upon the share capital in respect of such share being duly contributed in accordance with these Implementing Regulations.
23. The Authority shall enter in the Free Zone Company's share register details concerning the number, amount and owner of all shares issued by it. No shares shall be issued in bearer form.

## **Share Transfer**

24. Any purported transfer of any share or shares in any Free Zone Company shall be invalid unless a duly executed instrument of transfer has been delivered to the Free Zone Company's secretary and details registered in the FZC Register. Any share transfer shall be effective as from the date of registration thereof in the FZC Register.
25. No share in any Free Zone Company may be transferred without the prior approval of the Authority.

## **Board of Directors**

### **Directors and Secretary**

26. Each Free Zone Company shall have Board of Directors consist of at least one and not more than seven director and at least one secretary although the offices of directors and secretary may be held jointly by a single person. Each director and secretary shall be individuals and at least one director, and the secretary, must be resident in the United Arab Emirates.
27. The persons named in the FZC Register as directors or secretary of the Free Zone Company are, on the formation of the Free Zone Company, deemed to have been respectively appointed as its first directors and secretary.
28. Every Free Zone Company shall keep at its registered office a register of directors and secretary and the register shall contain details as to the identity and address of the directors and secretary of the Free Zone Company, and of any changes thereto. Any such changes shall be notified to the FZC Department within 7 day thereof and details promptly entered in the FZC Register in the prescribed form.
29. Any director and the secretary may be appointed and removed by way of Board Resolution subject to the provisions of paragraph 26 above.
30. The acts of a director, secretary or manager are valid notwithstanding any defect that may afterwards be discovered in his appointment, that such an appointment should be made by Board Resolution.

### **Directors' Meetings**

31. The business of a Free Zone Company shall be managed by the directors who may exercise all the powers of the Free Zone Company. The directors may regulate their proceedings, as they think fit. Any director may call a meeting of the directors and any question arising at a meeting of the directors shall be decided by majority of votes, each director having one vote. The directors may elect a chairman and may vest in him a casting vote. Any director may appoint any other

director as his alternate who shall be entitled to vote in accordance with the appointing director's instructions (if any) separately from his own vote.

32. A resolution signed by a majority of all the directors shall be as valid and effectual as if passed at a valid meeting of the directors and may consist of several documents in like form each signed by one or more directors.
33. A director shall not be entitled to vote nor be counted as part of the quorum in relation to any resolution which concerns a matter in which he has any direct or indirect or duty which is material and which conflicts or may conflict with the interests of the Free Zone Company unless his interest has been disclosed in writing to the other directors in sufficient detail to provide an accurate statement thereof and the other directors (or a majority of them) resolve that such director should be entitled to vote and / or be counted as part of the quorum.
34. The directors shall cause minutes to be kept in books kept for the purpose of each meeting of the directors and of all appointments of directors or secretary.

### **Objects**

35. The objects of each Free Zone Company shall be to carry on all such business within the area of the Free Zone as the Authority may permit under the terms of the Special license issued in respect of the Free Zone Company (as the same may be amended from time to time by the Authority) and elsewhere in accordance with all applicable laws and regulations, and all business and other matters ancillary, conducive or related thereto. Such matters will include power for each Free Zone Company to borrow, grant security, guarantee any obligation of any person or indemnify any person, to enter into all types of banking and financial transactions, to issue, make endorse or draw any negotiable instruments (such as cheques, bills of exchange, promissory notes or bills of lading) in relation to its business and Power for each Free Zone Company to make alter or dispose of any investments (whether or not within the UAE) in relation to its business.

### **Seal**

36. A Free Zone Company may have a Seal which shall have its name engraved in legible characters on it.

### **Contracts**

37. Any contract may be made by a Free Zone Company by writing under its Seal together with the signature of any authorized director of the Free Zone Company. A Free Zone Company may make any contract by writing on its behalf by any person acting under the authority of the Free Zone Company.

## **Accounts**

38. Every Free Zone Company shall keep accounting records sufficient to show and explain the transactions of such Free Zone Company and be such as to disclose with reasonable accuracy, at any time, the financial position of the Free Zone Company at that time and enable the directors to ensure that any balance sheet and profit and loss account of the Free Zone Company prepared under these Implementing Regulations complies with the requirements of these Implementing Regulations.
39. The accounting records shall in particular contain a record of the assets and liabilities of the Free Zone Company and entries from day to day of all sums of money received and expended by the Free Zone Company and the matters in respect of which the receipt and expenditure takes place.
40. The accounting records of each Free Zone Company shall be kept at its registered office in the Free Zone and shall at all time be open to inspection by the officers of the Free Zone Company Department and by its Shareholders and their representatives.
41. The first “financial year” of each Free Zone Company shall commence on the date of its registration as disclosed in its Certificate of Formation provided that no first financial year may exceed 18 months or be for less than 6 months. Successive financial years shall be of 12 months duration beginning January 01 and ending December 31 of the same year.
41. The directors of every Free Zone Company shall prepare for each financial year of the Free Zone Company a balance sheet as at the last day of its financial year and a profit and loss account.
42. The balance sheet shall give a true and fair view of the state of affairs of the Free Zone Company as at the end of the financial year and the profit and loss account shall give a true and fair view of the profit and loss of the Free Zone Company for the financial year.
43. The Authority reserves the right to require that the balance sheet and profit and loss account of each Free Zone Company comply with provisions to be set down by it from time to time.
44. Where any Free Zone Company owns any other Free Zone Company or owns more than half the shares in or otherwise controls any other company or establishment the first mentioned Free Zone Company should also prepare group accounts on a consolidated basis. Where any Free Zone Company neither owns less than half the shares in Company or other establishment (not being a Free Zone Company) nor controls such company or establishment but nevertheless is in a position to exercise a significant influence over such company or other establishment, then such company or other establishment shall be treated as an associated company for accounting purposes.

45. The annual accounts of each Free Zone Company shall be approved and signed by its shareholders or its directors if directors are authorized as such.
46. A copy of the annual accounts of each Free Zone Company shall be delivered to the FZC Department within 3 months of the end of the financial year of the Free Zone Company. Or such other period as the Authority may determine.
49. Each Free Zone Company shall be required to appoint auditors from among those approved by the Authority to make a report to the Owner of the Free Zone Company on all annual accounts of the Free Zone Company on all and state whether, in the auditor's opinion, such annual accounts have been properly prepared in accordance with these Implementing Regulations and whether a true and fair view is given (a) in the case of the balance sheet of the Free Zone Company of the state of affairs of the Free Zone Company at the end of its financial year, (b) in the case of the profit and loss account of the Free Zone Company for the financial year and (c) in the case of annual accounts of the Free Zone Company prepared on a consolidated basis, of the state of affairs as at the end of the financial year and the profit or loss for the financial year of the undertaking included in the consolidation.
50. The Free Zone Company shall deliver a copy of the auditor's report (duly signed by the auditors) to the FZC Department, together with the annual accounts pursuant to paragraph above.
51. Where the net assets of a Free Zone Company fall below 50 % of its share capital the director (s) shall, not later than 15 days from the earliest day on which that fact is known to a director, duly notify the FZC Department and the Board of Director which shall, within 7 days of such notification to it, take such steps as may be appropriate to remedy the situation so as to ensure that the net assets of such Free Zone Company are restored to at least 50 % of its share capital as soon as reasonably practicable.

## **Distributions**

52. A Free Zone Company shall not make a distribution, whether in cash or otherwise, to its Shareholders except out of profits available for that purpose or where the share capital of the Free Zone Company is reduced in accordance with the provisions of these Implementing Regulations or where the Free Zone Company is deregistered and its assets distributed to its Shareholders. The profits of a Free Zone Company available for distribution are its accumulated, realized profits less its accumulated, realized losses. No distribution shall be made other than pursuant to Board of Director a copy of which shall be delivered to the FZC Department within 7 days of being made and details of which shall promptly be entered in the FZC Register.



## **Ownership of the Shares**

53. Every Free Zone Company shall keep a register in which details shall be entered as regards the Shareholders of the Free Zone Company and as regards the ultimate ownership of Shares of the Free Zone Company and details thereof (and of any changes therein) shall be notified to the FZC Department within 7 days after it is made and promptly entered in the FZC Register.

## **Board Resolution**

54. A copy of every Board Resolution shall be provided to the FZC Department within 7 days after it is made and details thereof shall promptly be entered in the FZC Register.

## **Security interests**

56. The Shareholders may pledge or otherwise charge all (but not only some) of its shares in the Free Zone Company to any creditor in security for any debt or other obligation incurred or to be incurred by or binding upon the Free Zone Company. Such pledge or other charge over any shares in a Free Zone Company will be void if details thereof in the prescribed form are not delivered to the FZC Department within 7 days of the date of such pledge or other charge. Details of any such pledge or other charge shall be entered promptly in the FZC Register.
57. The Board of Director of a Free Zone Company shall cause its Free Zone Company to keep at its registered office a register of charges and to enter in it details of any pledge or other charge of the Shareholder's shares in the Free Zone Company.
58. A Free Zone Company may grant any security interest permitted under the laws of the United Arab Emirates from time to time to any creditor in security for any debt or other obligation incurred or to be incurred by or binding upon the Free Zone Company or any other person. Any such security interest will be void if details in the prescribed form are not delivered to the FZC Department within 7 days of the date of such security interest. Details of any such security interest shall be entered promptly in the FZC Register.
59. Upon any pledge, charge or other security interest as specified in paragraphs above being discharged or upon any alteration in the name of the creditor or creditors in whose favor such pledge, charge or other security interest operates, details thereof shall be notified to the FZC Department within 7 days and entered promptly in the FZC Register.

## **Power to inspect**

60. The Authority may appoint one or more competent persons as inspectors to investigate the affairs of any Free Zone Company and report to the Authority in such form and within such time as it may direct. Such appointment may be made on the application of the owner, or of the Free Zone Company or by the Authority acting unilaterally or by any other person provided the Authority is satisfied that good reason has been shown or circumstances arisen for requiring the investigation.
61. Any inspector appointed by the Authority pursuant to the above paragraph should have such powers of investigation as the Authority may vest in him.
62. If the FZC Department has reasonable cause to believe that any Free Zone Company is not carrying on business or in operation, it may deregister the Free Zone Company after inquiry in writing of the Free Zone Company to ascertain if it is carrying on business or in operation and such Free Zone Company either failing to respond to such inquiry within 7 days thereof or failing to demonstrate to the satisfaction of the Authority that it is carrying on business or in operation.
63. When a Free Zone Company is de-registered all property and rights vested in it and not owned by the Authority or any other person are deemed held by its Shareholders, save where such De-registration is as a consequence of any breach of these Implementing Regulations or of an FZC Condition or the terms of the Special License relating to the Free Zone Company when, and in any such case, all such property and rights shall be and become forfeited to and vested in the Authority without compensation of any kind.

## **De-registration**

64. A Free Zone Company shall be de-registered from the FZC Register upon any of the reasons provided under the Licensing Regulations as amended from time to time.
65. Upon de-registration of a Free Zone Company all trading and other business operations of such Free Zone Company must cease and the Board of Director must ensure that the Free Zone Company's affairs are wound up under the supervision of an accountant licensed to conduct business as such in the United Arab Emirates as liquidator so as to (a) ensure that such winding up is conducted in a timely and organized way, taking account of all assets of the Free Zone Company and the claims of all creditors and employees thereof and ensuring the payment, or provision for payment of, or to discharge, all claims, debts, liabilities and obligations of the Free Zone Company subject to the limitation of liability of the Shareholders specified in paragraph 7 above, (b) distribute any surplus assets of the Free Zone Company to the Shareholders, (c) cause to be prepared by the liquidator a statement of account in respect of his actions and transactions and (d) ensure that a copy of such report is delivered to the FZC Department within 7 days of such report being made. Details of such

report shall be promptly entered in the FZC Register.

### **FZC Department**

66. The Authority has designated a department known as the FZC Department, for the registration of Free Zone Company under these Implementing Regulations and various other matters as described herein. In particular the FZC Department shall maintain the FZC Register, being a register in written or computerized form (as the Authority may determine), in which shall be entered details concerning each Free Zone Company as described herein.

### **FZC Register**

67. The FZC Register shall be open to public inspection subject to the Department's prior approval.

68. A Free Zone Company shall be de-registered from the FZC Register upon application being made therefore by the Board of Directors, or Shareholders or the Free Zone Company to the FZC Department in the prescribed form or upon the Free Zone Company or the Shareholders being in breach of any of these Implementing Regulations or any FZC Condition or the terms of the Free Zone Company's Special License and where, if such breach is capable of remedy by the Shareholders or Free Zone Company, such breach has not been remedied within 7 days (or such other period as the Authority may agree) of notification by the FZC Department in writing to the Shareholders or to the Free Zone Company as regards such breach.

### **Fees**

69. The Authority may require the payment to the FZC Department of such fees as the Authority may require in respect of the formation and registration of a Free Zone Company, the receipt and review of documents, maintaining and updating the FZC Register and the cost of any inspection and investigation carried out pursuant to these Implementing Regulations. In addition the Authority may require the payment to the FZC Department of such fees as the Authority may determine on an annual or other periodic basis in respect of any FZC.

70. In the case of any default by the Free Zone Company, its directors or its Shareholders in compliance with these Implementing Regulations the Authority may, in addition to all other rights and privileges hereunder, impose a fine on the Company and / or the Shareholders of AED 5,000 per month during the period of such non-compliance.

71. Each Free Zone Company shall be required to comply with all rules and regulations issued or to be issued by the Authority from time to time.

## **Miscellaneous**

72. Each Free Zone Company may have a Memorandum & Articles of Association in the form suggested by the Authority. The Authority may cancel, supplement and vary any or all of these Implementing Regulations, as it may consider appropriate from time to time.
73. The Authority or the Registrar may relax or waive, either in whole or in part and either unconditionally or subject to such conditions as it deems appropriate, any or all of the requirements specified in these Implementing Regulations or any FZC Conditions if it considers it appropriate to do so.
74. This Implementing Regulations have been executed in the Arabic and English Language both texts being authentic. In the event of any difference of interpretation arising between the Arabic and English texts the Arabic text shall prevail.
75. Matters not provided for in these Implementing Regulations & Memorandum & Articles of Association of the FZC. Shall be subject to the UAE Federal Law No. (2) of 2015 Regarding Commercial Companies and its amendments.

Issued on ---/---/2017

**Ahmed Bin Rakkad Al Amri**

**Chairman**

**Sharjah Publishing City Free Zone Authority**