

GOVERNMENT OF SHARJAH

HAMRIYAH FREE ZONE

SHARJAH

HAMRIYAH FREE ZONE
IMPLEMENTING RULES AND REGULATIONS CONCERNING THE
INCORPORATION OF FREE ZONE COMPANIES
AT HAMRIYAH FREE ZONE
ISSUED PURSUANT TO
SHARJAH EMIRI DECREE NO (6) OF 1995 AS AMENDED BY
SHARJAH EXECUTIVE COUNCIL RESOLUTION NO(1) OF 2000

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PART 1

FZC IMPLEMENTING RULES AND REGULATIONS

PRELIMINARY

Article 1 These Implementing Rules and Regulations are issued by the Hamriyah Free Zone Authority pursuant to Sharjah Emiri Decree No 6 of 1995 as amended by Sharjah Executive Council Resolution No (1) of 2000 concerning the formation of limited liability companies at Hamriyah Free Zone.

INTERPRETATION

Article 2 In these Implementing Rules and Regulations:

"**HFZ Authority**" means the Hamriyah Free Zone Authority;

"**Date of Incorporation**" means the date of registration of an FZC in the FZC Register;

"**Free Zone**" means the Free Zone established pursuant to Sharjah Emiri Decree No 6 of 1995 at Al Hamriyah, Sharjah;

"**FZC**" means a Free Zone Company formed and registered (or to be formed and registered) pursuant to these Implementing Rules and Regulations;

"**FZC Circulars**" means circulars relating to Free Zone Companies issued or to be issued by the HFZ Authority, as the same may be amended by the HFZ Authority from time to time;

"**FZC Unit**" means the division of the HFZ Authority having responsibility for the formation, registration and regulation of FZC's pursuant to these Implementing Rules and Regulations;

"**Licence**" means the licence issued or to be issued by HFZ Authority to the FZC;

"**Shareholders**" means the persons, whether an individuals or companies **subject to a maximum of five**, who are the Shareholders of any Free Zone Company formed and registered in accordance with these Implementing Rules and Regulations;

"**Shareholders' Resolution**" means a resolution in writing by the Shareholders as regards any matter decided by the Shareholders in respect of their Free Zone Company as described in these Implementing Rules and Regulations.

INCORPORATION

- Article 3** Companies or any other or persons wishing to form a Free Zone Company must complete, execute and submit to FZC Unit an application form¹ signed all Shareholders and provide the FZC Unit with all such information and documentation as it may from time to time request.
- Article 4** Approval of any application to form any Free Zone Company shall be at the discretion of the HFZ 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 HFZ 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 HFZ Authority in its sole discretion, may consider appropriate.
- Article 5** The HFZ Authority shall notify each applicant of the HFZ Authority's decision as to whether or not authorisation is granted for the formation of any Free Zone Company and as regards what (if any) undertakings or guarantees it requires as a condition to such authorisation being granted pursuant to Article 4 above within one month of receipt by the FZC Unit 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 HFZ Authority shall have requested.
- Article 6** Upon authorisation being granted by the HFZ Authority for the formation of a Free Zone Company² and the HFZ Authority being satisfied that the relevant share capital of the Free Zone Company to be formed has been fully contributed in accordance with Articles 8 to 10 below, the HFZ Authority shall cause all relevant details concerning such Free Zone Company to be entered in the FZC Register and for a Certificate of Incorporation³, duly executed by or on behalf of the HFZ Authority, to be issued. The Shareholders may cause an Articles of Incorporation setting out the basic particulars of the Free Zone Company to be prepared and signed by them.
- Article 7** Each Certificate of Incorporation shall specify, among other things, the Date of Incorporation. A Free Zone Company shall be deemed duly formed with effect from the Date of Incorporation. Each such Free Zone Company shall then be capable of exercising all the functions of a Free

¹ HFZ FZC Form No 1

² HFZ FZC Form No 2

³ HFZ FZC Form No 3

Zone Company but with such liability on the part of its Shareholders to contribute to its assets in the event of its being deregistered pursuant to these Implementing Rules and Regulations being limited to the full extent of the Shareholders' share capital contribution to such Free Zone Company.

NAME

- Article 8**
- (A) The name of a Free Zone Company must end with the words FZC. A Free Zone Company shall not be registered in the FZC Register with a name which is not approved by the HFZ Authority. A Free Zone Company may change its name by Shareholders' Resolution⁴ subject to the proposed new name being approved by the HFZ Authority. The new name of the Free Zone Company shall be entered in the FZC Register and a Certificate of Change of Name⁵ issued by the FZC Unit. Each Certificate of Change of Name shall specify, among other things, the date of registration of the new name in the FZC Register, being the date on which such new name shall take effect.
- (B) Every Free Zone Company shall paint or affix, and keep painted or 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 HFZ Authority.
- (C) Every Free Zone Company shall have its name mentioned in legible characters in all its 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, letters of credit and guarantees together with a statement that it was formed with limited liability pursuant to Sharjah Emiri Decree No 6 of 1995 and Sharjah Executive Resolution No. 1 of 2000.
- (D) Every Free Zone Company shall mention its registered office in legible characters in all its business letters and order forms.

⁴ HFZ FZC Form No 4

⁵ HFZ FZC Form No 5

REGISTERED OFFICE

Article 9 Each Free Zone Company shall have its registered office in the Free Zone. Details of such office and of any change of address, shall be notified within 15 days to the FZC Authority⁶ and details thereof promptly entered in the FZC Register. All notices and communications may be addressed to the address stated in the FZC Register.

SHARE CAPITAL

- Article 10**
- (A) The capital of each Free Zone Company shall be denominated in UAE Dirhams. The initial amounts paid by the Free Zone Company to the Free Zone Authority for its project shall be allowed to be its initial capital unless the Free Zone Company desires otherwise and deposits in its account additional capital. HFZ Authority may take any further decisions in this regard from time to time.
 - (B) The capital of each Free Zone Company shall be divided into shares. Each share shall be numbered and shall be for UAE Dhs 1000/- or multiples thereof. Each share or series of shares shall be represented by a share certificate⁷.
 - (C) The share capital of a Free Zone Company may only be paid in cash unless the HFZ Authority otherwise authorises that the share capital be paid by way of contribution in kind or by a combination of cash and in kind contribution. Any such authorisation shall be subject to such conditions as the HFZ Authority may require.
 - (D) The share capital of a Free Zone Company may be altered by Shareholders Resolution⁸ subject to the prior approval of the HFZ Authority⁹. 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. The HFZ Authority shall issue a certificate of change in share capital¹⁰.

⁶ HFZ FZC Form No 6

⁷ HFZ FZC Form No 7

⁸ HFZ FZC Form No 8

⁹ HFZ FZC Form No 9

¹⁰ HFZ FZC Form No 10

- (E) No share in a Free Zone Company may be issued unless the capital thereof is fully paid.
- (F) No Free Zone Company shall have more than five shareholders.
- (G) All shares issued by a Free Zone Company shall be of the same class.
- (H) No Free Zone Company may acquire its own shares. However any Free Zone Company may own shares in any other Free Zone Company or in any company or other Hamriyah Free Zone Free Zone Establishment (FZE) subject to compliance with all applicable laws.
- (I) Every Free Zone Company shall complete and issue share certificates to the shareholders in respect of all shares held by it in such Free Zone Company forthwith upon the share capital in respect of such shares being duly contributed in accordance with these Implementing Rules and Regulations.
- (J) The secretary shall enter in the Free Zone Company's share register¹¹ details cornering the number, amount and shareholders of all shares issued by it. No shares shall be issued in bearer form.

TRANSFER OF SHARES

- Article 11**
- (A) Any purported transfer of any share or shares in any Free Zone Company shall be invalid unless a duly executed instrument of transfer¹² 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.
 - (B) In accordance with these Implementing Rules and Regulations, a shareholder may, under an official instrument, assign his share to another shareholder or any other subject to article 11(C) and article 10(F) such assignment shall be valid with regard to the Free Zone Company and others only from the date of entry of the assignment in the FZC registers and HFZ FZC registers. The Free Zone Company may not refrain from causing entry of the assignment in the registers unless it is inconsistent with these Implementing Rules and

¹¹ HFZ FZC Form No 11

¹² HFZ FZC Form No 12

Regulations. Any dispute in this regard shall be referred to HFZ Authority whose decision shall be final;

- C) A shareholder who intends to assign his share to a person other than a shareholder in the FZC whether with or without consideration shall through the FZC secretary notify the other shareholders in writing of the terms of the intended sale/assignment. Upon receipt of such notice, the secretary shall notify the shareholders within 7 days. Each shareholder may request recovery of the said shares at an agreed price not below par value. In the event of disagreement over the price, the FZC auditor shall decide the price. If more than one shareholder uses the right of assignment, the shares shall be sold /assigned among them pro rata to their shareholdings. These proceedings shall be completed within two months from the date of FZC secretary's notification aforesaid failing which the shareholder shall be free to dispose of his share to any other third party subject to Article 11(A).
- (D) The share shall devolve to the heirs of the shareholder and a legatee shall be deemed to be a heir.
- (E) In the event of commencement of execution proceedings by a creditor against a shareholder, such creditor may agree with such shareholder and FZC on the methods and sale of shares subject to Article 11(B).

(VI) No share in any Free Zone Company may be transferred without the prior written approval of the HFZ Authority.

MEETINGS OF SHAREHOLDERS

- Article 12**
- (A) The directors may convene meetings of the shareholders of the Company at such times and in such manner and places as the directors consider necessary or desirable, and they shall convene such a meeting upon the written request of shareholders holding more than ten percent of the votes of the outstanding voting shares in the Company.
 - (B) At least seven days notice specifying the place, the day and the hour of the meeting and the general nature of the business to be conducted shall be given to such persons whose names on the date the notice is given appear as shareholders in the share register of the company.

- (C) A meeting of the shareholders shall be deemed to have been validly called, notwithstanding that it is called in contravention of the requirement to give notice in Article 12(B) above, if shorter notice of the meeting is agreed by shareholders holding not less than 90 per cent of the total number of shares having a right to attend and vote at the meeting, or if all such shareholders have waived notice of the meeting. Presence at the meeting shall be deemed to constitute waiver.
- (D) A shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of that shareholder.
- (E) The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote.
- (F) The instrument appointing a proxy shall be in HFZ FZC form No. 21 which the Chairman of the meeting shall accept as acceptable evidence of the wishes of the shareholder appointing the proxy.

PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

Article 13

- (A) No business shall be transacted at any meeting of shareholders unless a quorum of shareholders is present at the time when the meeting proceeds to business. A quorum shall consist of one or more shareholders present in person or by proxy representing at least one half of the votes of total shares, each share qualifying for a vote.
- (B) If within one hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.
- (C) The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company.
- (D) If there is no such Chairman, or if at any meeting he is not present within fifteen minutes

after the time appointed for holding the meeting, the shareholders present shall choose someone of their number to be Chairman.

- (E) The Chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (F) Each shareholder shall have the number of votes equal to the number of shares he holds.
- (G) A shareholder may be present at a meeting if he participates by telephone or other electronic means and all shareholders participating at the meeting are able to hear each other.
- (H) At any meeting of the shareholders the Chairman shall be responsible for deciding in such manner as he shall consider appropriate whether any resolution has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes thereof. If the chairman shall have any doubt as to the outcome of any resolution put to the vote, he shall cause a poll to be taken of all votes cast upon such a resolution, but if the Chairman shall fail to take a poll then any shareholder present in person or in proxy who disputes the announcement by the Chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the Chairman shall thereupon cause a poll to be taken. If a poll is taken at any meeting, the resolution shall be passed by the majority of votes polled and the result thereof shall be duly recorded in the minutes of that meeting by the Chairman.
- (I) Unless a poll be so demanded, a declaration by the Chairman that a resolution has been carried, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be sufficient evidence of the fact, without proof of that number or proportion of the votes recorded in favour of or against such a resolution.
- (J) If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.
- (K) A resolution which has been notified to all shareholders for the time being entitled to vote and which has been approved by a majority of votes of those shareholders in the form of one or more documents in writing by telex, telegram, cable or other written electronic

communication shall without the need for any notice, become effectual as at the date thereof as a resolution of the shareholders.

- (L) Any person other than an individual which is a shareholder of the Company may by a resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the person which he represents as that person could exercise if it were an individual shareholder of the Company.

DIRECTORS AND SECRETARY

- Article 14**
- (A) Each Free Zone Company shall have a minimum of 1 director, and at least 1 secretary although the offices of director and secretary may be held jointly by a single person. Each director and secretary shall be individuals and at least one of the directors, and the secretary, must be resident in the UAE; in the case of any foreign national who is, or is to be appointed as, a director or secretary of any Free Zone Company, the HFZ Authority will require that such person hold a valid residence and work permit from the relevant authorities.
- (B) The maximum number of Directors in any Free Zone Company shall be five. In case a secretary is not specifically mentioned in the FZC Registration application, the HFZ Authority shall treat the first named Director as Secretary also of the Free Zone Company.
- (C) 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.
- (D) Every Free Zone Company shall keep at its registered office a register of directors and secretary¹³ and the register shall contain details as to the Company and address of the directors and secretary of the Free Zone Company, and of any changes thereto. Any such changes shall be notified¹⁴ to the FZC Unit within 15 days thereof and details promptly entered in the FZC Register.

¹³ HFZ FZC Form No 13

¹⁴ HFZ FZC Form No 14

- (E) Any director and the secretary may be appointed and removed by way of Shareholders Resolution subject to the provisions of Article 14 (A) above.
- (F) The acts of a director, secretary or manager are valid notwithstanding any defect that may afterwards be discovered in his appointment.

PROCEEDINGS OF DIRECTORS

- Article 15**
- (A) 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. The quorum for directors' meetings may be fixed by the directors but may not be less than two.
 - (B) 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.
 - (C) 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 interest 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.
 - (D) The secretary 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

- Article 16**
- The objects of each Free Zone Company shall be to carry on all such business within the areas of the Free Zone as the HFZ Authority may permit under the terms of the Licence issued in respect of the Free Zone Company (as the same may be amended from time to time by the HFZ

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 or 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

Article17 A Free Zone Company may have a Seal but is not required to have one. A Free Zone Company which has a Seal shall have its name engraved in legible characters on the Seal.

CONTRACTS

- Article18**
- (A) Any contract may be made by a Free Zone Company by writing (i) under its Seal together with the signature of any director of the Free Zone Company or (ii) with the signature of any director and expressed in whatever form of words to be executed by the Free Zone Company. Any contract may be made by a Free Zone Company by writing on its behalf by any person acting under the authority of the Free Zone Company whether such authority be express or implied.
 - (B) Any contract which purports to be made by or on behalf of a Free Zone Company at a time when it has not been duly formed will have effect as one made with the person purporting to act for the Free Zone Company or as its agent, and he is personally liable on the contract accordingly.
 - (C) A promissory note, cheque or other bill of exchange is deemed to have been made, accepted or endorsed on behalf of a Free Zone Company if made, accepted or endorsed in the name of, and by or on behalf of or on account of, the Free Zone Company by a person acting under its authority.

ACCOUNTS

- Article 19**
- (A) 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 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 Rules and Regulations complies with the requirements of these Implementing Rules and Regulations.
 - (B) 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.
 - (C) The accounting records of each Free Zone Company shall be kept at its registered office in the Free Zone and shall at all times be open to inspection by the officers of the Free Zone Company and by its Shareholders and representatives of the Shareholders.
 - (D) The first "financial year" of each Free Zone Company shall commence on the Date of Incorporation as stated in its Certificate of Formation and shall expire at the end of December of that year, provided such period is not less than six months in which case this period shall be carried upto December of the next year irrespective of the total duration. Successive financial years shall be of 12 months from January to December.
 - (E) 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.
 - (F) 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.
 - (G) The HFZ 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.
 - (H) 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 shall also prepare group accounts on a consolidated basis. Where any Free Zone Company neither owns less than half the shares in a 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.

- (I) The annual accounts of a Free Zone Company shall be approved by its directors and signed by or on behalf of the directors. At least one director shall sign the balance sheet and profit and loss account of the Free Zone Company.
- (J) A copy of the annual accounts of each Free Zone Company shall be delivered to the FZC Unit within 3 months of the end of the financial year of the Free Zone Company, or such longer period as the HFZ Authority may determine.
- (K) Each Free Zone Company shall be required to appoint auditors from among those approved by the HFZ Authority to make a report to the Shareholders of the Free Zone Company on all annual accounts of the Free Zone Company and state whether, in the auditor's opinion, such annual accounts have been properly prepared in accordance with these Implementing Rules and Regulations and whether a true and fair view is given (i) 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, (ii) in the case of the profit and loss account of the Free Zone Company, of the profit and loss of the Free Zone Company for the financial year and (iii) 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 undertakings included in the consolidation.
- (L) The Free Zone Company shall deliver a copy of the auditor's report (duly signed by the auditors) to the FZC Unit, together with the annual accounts pursuant to paragraph Article 19(G) above.
- (M) Where the net assets of a Free Zone Company fall below 75% 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 Shareholders 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 75% of its share capital as soon as reasonably practicable.

DISTRIBUTIONS

- Article 20**
- (A) 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 Rules and Regulations or where the Free Zone Company is deregistered and its assets distributed to its Shareholders.
 - (B) The profits of a Free Zone Company available for distribution are its accumulated, realised profits less its accumulated, realised losses.
 - (C) An amount equal to 10% of the net profit shall be transferred to a reserve fund until such fund equals 50% of the share capital of the company.
 - (D) The net profits /loss shall subject to Article 20 (C) shall be divided among the shareholders in the ratio of their capital.
 - (D) No distribution shall be made other than pursuant to a Shareholders Resolution a copy of which¹⁵ shall be delivered to the FZC Unit within 15 days of being made and details of which shall promptly be entered in the FZC Register.

REGISTER OF SHAREHOLDERS

- Article 21**
- Every Free Zone Company shall keep a register in which details shall be entered as regards the Shareholder of the Free Zone Company and its ultimate beneficial ownership and details thereof (and of any changes therein) shall be notified to the Registrar within 15 days after it is made and promptly entered in FZC Register. The ultimate beneficial ownership refers to the natural person/s who hold 25% or more of the ownership or voting rights in the company including retaining that ultimate ownership through a chain of ownership or exercise control directly or by any other means, such as the right to appoint or dismiss the majority of its directors.

¹⁵ HFZ FZC Form No 17

SHAREHOLDER'S RESOLUTIONS

- Article22** As control and management of the Free Zone Company is vested in the Directors by virtue of Article 15 Shareholders' Resolutions are limited to the following matters:-
- a) Resolution to change the name of the Free Zone Company as per Article 8(A).
 - b) Resolution to alter the capital of the Free Zone Company as per Article 10(D).
 - c) Resolution to remove any director or the secretary of the Free Zone Company as per Article 14(D).
 - d) Resolution to remedy any capital inadequacy as per Article 19(M).
 - e) Resolution to approve a distribution as per Article 20(D).
 - f) Resolution to create a security interest as per Article 23.
 - g) Resolution to investigate the affairs of the Free Zone Company as per Article 24(A).
 - h) Resolution to appoint a liquidator as per Article 24(F).
 - i) Resolution to de-register the Free Zone Company as per Article 26(B).
- (B) Shareholders Resolution may be passed by the majority of share-based votes of the shareholders present. If the shareholders unanimously agree, it shall not be necessary to hold a meeting of the shareholders in order to pass a Shareholders Resolution and a resolution signed and dated by all the shareholders shall be valid and effectual as if passed at a meeting of the shareholders and may consist of several documents in like form each signed by one or more of the shareholders.
- (C) A copy of every Shareholders' Resolution shall be provided to the FZE Unit within 15 days after it is made and details thereof shall promptly be entered in the FZE Register.

SECURITY INTERESTS

- Article23** (A) The Shareholders may pledge or otherwise charge some or all of its shares in its 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 Unit within 15 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.

- (B) The Shareholders of a Free Zone Company shall cause its Free Zone Company to keep at its registered office a register of charges¹⁶ and to enter in it details of any pledge or other charge of any or all of the Shareholders share in the Free Zone Company.
- (C) A Free Zone Company may grant any security interest permitted under the laws of Sharjah 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 Unit within 15 days of the date of such security interest. Details of any such security interest shall be entered promptly in the FZC Register.
- (D) Upon any pledge, charge or other security interest as specified in Article 23(A) and Article 23(B) above being discharged or upon any alteration in the name of the creditor or creditors in whose favour such pledge, charge or other security interest operates, details thereof shall be notified to the FZC Unit¹⁷ within 15 days and entered promptly in the FZC Register.

INVESTIGATION AND DEREGISTRATION

- Article 24**
- (A) The HFZ Authority may appoint one or more competent persons as inspectors to investigate the affairs of any Free Zone Company and report to the HFZ Authority in such form and within such time as it may direct. Such appointment may be made on the application by Shareholders Resolution of the Free Zone Company or by any creditor of the Shareholders or of the Free Zone Company or by the HFZ Authority acting unilaterally or by any other person provided the HFZ Authority is provided and otherwise satisfied that good reason has been shown or circumstances arisen for requiring the investigation.

¹⁶ HFZ FZC Form No 18

¹⁷ HFZ FZC Form No 19 and Free Zone FZC Form No 20

- (B) Any inspector appointed by the HFZ Authority pursuant to paragraph (A) above shall have such powers of investigation as the HFZ Authority may vest in him.
- (C) If the FZC Unit 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 enquiry 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 enquiry within 7 days thereof or failing to demonstrate to the satisfaction of the HFZ Authority that it is carrying on business or in operation.
- (D) When a Free Zone Company is deregistered all property and rights vested in it and not owned by the HFZ Authority or any other person are deemed held by its Shareholders, save where such deregistration is as a consequence of any breach of these Implementing Rules and Regulations or of an FZC Circular or the terms of the Licence 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 HFZ Authority without compensation of any kind.
- (E) A Free Zone Company shall be deregistered from the FZC Register upon and in accordance with any order therefor being issued by any Court in the Emirate of Sharjah.
- (F) Upon deregistration of a Free Zone Company all trading and other business operations of such Free Zone Company must cease and the Shareholders 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 Emirate of Sharjah as liquidator so as to (i) ensure that such winding up is conducted in a timely and organised 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 Article 7 above, (ii) distribute any surplus assets of the Free Zone Company to the Shareholders, (iii) cause to be prepared by the liquidator a statement of account in respect of his actions and transactions and (iv) ensure that a copy of such report is delivered to the FZC Unit within 7 days of such report being made. Details of such report shall be promptly entered in the FZC Register.

FZC UNIT

Article 25 The HFZ Authority has designated a division known as the FZC Unit, for the registration of Free Zone Companies under these Implementing Rules and Regulations and various other matters as described herein. In particular the FZC Unit shall maintain the FZC Register, being a register in written or computerised form (as the HFZ Authority may determine), in which shall be entered details concerning each Free Zone Company as described herein.

FZC REGISTER

- Article 26**
- (A) The FZC Register shall be open to public inspection subject to such conditions as the HFZ Authority may prescribe from time to time.
 - (B) A Free Zone Company shall be deregistered from the FZC Register upon application being made therefor by the Shareholders Resolution of the Free Zone Company to the FZC Unit in the prescribed form or upon the Free Zone Company or the Shareholders being in breach of any of these Implementing Rules and Regulations or any FZC Circular or the terms of the Free Zone Company's Licence and where, if such breach is capable of remedy by the Shareholders of Free Zone Company, such breach has not been remedied within 7 days (or such other period as the HFZ Authority may agree) of notification by the FZC Unit in writing to the Shareholders of the Free Zone Company as regards such breach.

FEES AND PENALTIES

- Article 27**
- (A) The HFZ Authority may require the payment to the FZC Unit of such fees as the HFZ 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 Article 24 above. In addition the HFZ Authority may require the payment to the FZC Unit of such fees as the HFZ Authority may determine on an annual or other periodic basis in respect of any FZC.
 - (B) In the case of any default by the Free Zone Company or its Shareholders in compliance with these Implementing Rules and Regulations or any FZC Circular or the terms and conditions of the Free Zone Company's Licence the HFZ Authority may, in addition to all other rights and privileges hereunder, impose a fine on the Free Zone Company and/or the Shareholders of Dhs • per day during the period of such non-compliance.

- (C) Each Free Zone Company shall be required to comply with all FZC Circulars and with the terms of the Licence issued or to be issued by the HFZ Authority in relation to the Free Zone Company in question.

GENERAL

- Article 28**
- (A) The HFZ Authority reserves the right to alter, cancel, supplement and vary any or all of these Implementing Rules and Regulations as it may consider appropriate from time to time.
- (B) The HFZ Authority also reserves the right to 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 Rules and Regulations or any FZC Circulars if it considers it appropriate to do so.
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