

**Direct
Interest**

VS

**Indirect
Interest**

**Director Interest in
Companies >>>**



Directors' Shareholdings

(Section 134 of Company Act 1965)

A company shall keep a register showing, with respect to each director of the company, particulars of shares in the company or in a related corporation being shares in which a director has an interest and the nature and extent of that interest.



Importance of Directors' Interest in Shares

A person shall be deemed to have an interest in a share where a body corporate has an interest in a share:

- a) The body corporate is, or its directors are accustomed, or is under an obligation, whether formal or informal, to act in accordance with the directions, instructions, or wishes of that person in relation to that share
- b) That person has a **controlling interest** in the body corporate
- c) That person or his associates, or that person and his associates are entitled to exercise or **control exercise** of not less than 20% of the votes attached to the voting shares in the body corporate



DIRECT INTEREST



- The director directly holds the shares in that entity



INDIRECT INTEREST



- by virtue of shares held by companies in which the director has interest.
- held by a person through one or more bodies corporate, in the share capital of another body corporate



Example:

- Director hold 50% of shares in his own name in ABC company.
- It is called *direct interest*.



Direct interest

50% holding shares



Director

50 share capital

ABC company

100 share capital



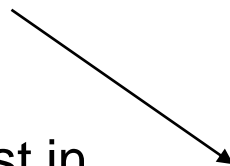
Example:

- Director owns 28% (>20%) of shares in ABC company
- ABC company is shareholder in XYZ company
- It is called *indirect interest*.

Director

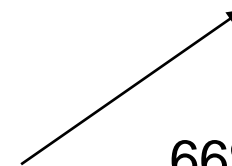


28% interest in shares



ABC company

XYZ company



66% interest in shares

Indirect interest



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