

naga warrants

Second Supplementary Base Prospectus
relating to the
issuance of Structured Warrants
by

KENANGA INVESTMENT BANK BERHAD
(Company No.: 15678-H)

*(A Participating Organisation of Bursa Malaysia Securities Berhad)
(Incorporated in Malaysia under the Companies Act, 1965)*

This Second Supplementary Base Prospectus is dated 16 April 2010
and will expire on 23 July 2010



KENANGA INVESTMENT BANK BERHAD
Company No. 15678-H

RESPONSIBILITY STATEMENT

OUR DIRECTORS HAVE SEEN AND APPROVED THIS SECOND SUPPLEMENTARY BASE PROSPECTUS. OUR DIRECTORS COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS SECOND SUPPLEMENTARY BASE PROSPECTUS AND CONFIRM, AFTER MAKING ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT IN THIS SECOND SUPPLEMENTARY BASE PROSPECTUS FALSE OR MISLEADING.

WE ACKNOWLEDGE THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF OUR KNOWLEDGE AND BELIEF, THIS SECOND SUPPLEMENTARY BASE PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE OFFERING OF THE STRUCTURED WARRANTS (“**OFFER**”).

NOTWITHSTANDING THE FOREGOING, OUR DIRECTORS DO NOT ACCEPT RESPONSIBILITY FOR THE CONTENTS OF INFORMATION ON THE UNDERLYING INSTRUMENTS, UNDERLYING COMPANY, ETF MANAGEMENT COMPANY AND/OR THE UNDERLYING INDEX SPONSOR SAVE FOR THE FACT THAT THE INFORMATION IS AN ACCURATE EXTRACT OF SUMMARY OF RELEVANT PUBLICLY RELEASED INFORMATION.

STATEMENTS OF DISCLAIMER

A COPY OF THIS SECOND SUPPLEMENTARY BASE PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS SECOND SUPPLEMENTARY BASE PROSPECTUS SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFER OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS SECOND SUPPLEMENTARY BASE PROSPECTUS.

THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON OUR PART, IS NOT RESPONSIBLE FOR THE CONTENTS OF THIS SECOND SUPPLEMENTARY BASE PROSPECTUS AND MAKES NO REPRESENTATION AS TO THE ACCURACY AND COMPLETENESS OF THIS SECOND SUPPLEMENTARY BASE PROSPECTUS. THE SC SHALL NOT BE LIABLE FOR ANY LOSS ARISING FROM OR AS A RESULT OF YOUR RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS SECOND SUPPLEMENTARY BASE PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE OFFER AND THE INVESTMENT IN THE STRUCTURED WARRANTS. IN CONSIDERING THIS INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

APPROVAL WILL BE OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD (“**BURSA SECURITIES**”) FOR THE LISTING OF AND QUOTATION FOR THE STRUCTURED WARRANTS TO BE OFFERED. ADMISSION OF THE STRUCTURED WARRANTS TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF OUR MERITS, THE MERITS OF THE OFFER, THE STRUCTURED WARRANTS, THE UNDERLYING SHARES, THE UNDERLYING ETF OR THE UNDERLYING INDICES.

THIS SECOND SUPPLEMENTARY BASE PROSPECTUS HAS BEEN REGISTERED WITH THE SC AND LODGED WITH THE REGISTRAR OF COMPANIES. NEITHER THE SC NOR THE REGISTRAR OF COMPANIES TAKES ANY RESPONSIBILITY FOR THE CONTENTS OF THIS SECOND SUPPLEMENTARY BASE PROSPECTUS.

OTHER STATEMENTS

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS SECOND SUPPLEMENTARY BASE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“**CMSA**”).

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS SECOND SUPPLEMENTARY BASE PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM THE BURSA SECURITIES’ WEBSITE AT WWW.BURSAMALAYSIA.COM.

WE WILL NOT TAKE ANY ACTION TO ENSURE THAT THIS SECOND SUPPLEMENTARY BASE PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. IT IS YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE APPLICABLE LAWS THAT YOU ARE OR MIGHT BE SUBJECT TO. NEITHER OUR ADVISER NOR WE WILL ACCEPT ANY RESPONSIBILITY OR LIABILITY IF YOUR APPLICATION BECOMES ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

YOU ARE WARNED THAT THE PRICE OF THE UNDERLYING SHARES AND ETF OR LEVEL OF THE UNDERLYING INDICES (AND POTENTIALLY ALONG WITH THEM, THE PRICE OF THE CORRESPONDING STRUCTURED WARRANTS) MAY FALL IN VALUE AS RAPIDLY AS THEY MAY RISE AND YOU MAY SUSTAIN A TOTAL LOSS OF YOUR INVESTMENT. YOU SHOULD THEREFORE MAKE SURE YOU UNDERSTAND THE TERMS AND CONDITIONS OF THE FINANCIAL INSTRUMENTS OFFERED, THE RISK FACTORS INVOLVED AND WHERE NECESSARY, SEEK PROFESSIONAL ADVICE BEFORE INVESTING IN THE STRUCTURED WARRANTS.

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1. Change in the Directors of the Issuer

As disclosed in the First Supplementary Base Prospectus dated 11 December 2009, Dato' Ramli Ismail was re-designated as the Non-Executive Director of the Issuer. Consequently, with effect from 11 February 2010, Dato' Ramli Ismail had resigned as the Non-Executive Director of the Issuer due to his impending retirement as Group Managing Director of Kenanga which came into effect from 1 April 2010.

2. MATERIAL LITIGATION

Save as disclosed below, as at 6th April 2010, other than litigation, claims, and arbitration arising from the ordinary course of business of which:

- (i) the financial impact thereof has already been/will be accounted for in the latest audited accounts of KIBB and its relevant subsidiaries; and/or
- (ii) the respective Board of Directors of KIBB and its relevant subsidiaries are of the view that there would not be any material and adverse impact on the financial position of KIBB and its relevant subsidiaries respectively arising from such litigation, claims and arbitration;

our Company and subsidiaries are not engaged in any material litigation claim or arbitration, either as plaintiff or defendant, which has a material effect on our financial position or business and our Directors are not aware of any proceedings, pending or threatened, against us or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial position or business.

- (a) **Ahmad Adzha Bin Kasmuni (“P1”) & Ang Ek Choon (“P2”) (collectively, “the Plaintiffs”) vs K & N Kenanga Berhad (“KNKB”) & Anor (Third Parties: Fasrul Hisham Bin Mohamad (“D2”) & 2 Ors): Kuala Lumpur High Court Suit No. S2-22-138-2008)**

P1 and P2 made a claim against KNKB vide Writ of Summons and Statement of Claim dated 31 January 2008 and 31 December 2007 respectively alleging that KNKB had offered them Alam Maritim Resources Bhd's shares by way of private placement in an initial public offering scheme at the price of RM1.70 per share which was duly accepted by them through a purported Letter of Offers 11 July 2006 and 12 July 2006 respectively. P1 and P2 are claiming for damages of RM1,470,000 each for the shares and loss of profit, KNKB and/or D2 to transfer the shares to P1 and P2, damages, interest on the damages at the rate of 8% per annum from 31 January 2008 until full settlement and costs on a fully indemnity basis.

KNKB has filed a Defence denying any liability whatsoever to the Plaintiffs and has sought an order that the Plaintiffs' claim be dismissed with costs. The Notice to Attend Pre-Trial Case Management is fixed for mention on 4 June 2010 pending the disposal of KNKB's application for an order for Further and Better Particulars of the Plaintiffs' Amended Statement of Claim which is now fixed for mention on 19 April 2010 pending the exchange of affidavits between the parties.

- (b) **Admad Adzha Bin Kasmuni (“Plaintiff”) vs K&N Kenanga Berhad (“KNKB”) & Anor (Third Parties: Fasrul Hisham Bin Mohamad (“D2”) & 3 Ors): Kuala Lumpur High Court Suit No.: S4-22-354-2008**

The Plaintiff had filed a claim against KNKB and D2 vide Writ of Summons and Statement of Claim dated 25 March 2008 and 24 March 2008 alleging KNKB had offered the Plaintiff LNG Resources Bhd's shares by way of private placement in an initial public offering scheme at the price of RM0.21 per share which was duly accepted by the Plaintiff through a purported Letter of Offers 5 July 2006. The Plaintiff has also premised his claim on a purported Letter of Undertaking dated 5 June 2006 for the sum of RM6,100,000. The Plaintiff is claiming for total damages of RM8,650,000, KNKB and/or D2 to transfer the said shares to the Plaintiff within seven days from the date of the order and/or judgment, general damages, interest on the damages at the rate of 8% per annum from 24 March 2008 until full settlement and costs on a full indemnity basis.

The Writ of Summons and Statement of Claim were served on KNKB on 29 April 2008. KNKB has filed a Defence denying any liability whatsoever and has sought an order that Plaintiff's claim be dismissed with costs. A Notice to Attend Pre-Trial Case Management is fixed for mention on 4 June 2010 pending the disposal of KNKB's application for an order for Further and Better Particulars of the Plaintiff's Statement of Claim which is now fixed for mention on 19 April 2010 pending the exchange of affidavits between the parties.

(c) **Dato' Liew Yuen Keong ("Plaintiff") vs K & N Kenanga Berhad ("KNKB") & Anor (Third Parties: Fasrul Hisham Bin Mohamad & Anor): Kuala Lumpur High Court Suit No.: D5-22-2268-2008, Court of Appeal Civil Appeal No. W-02(IM)-2171-2009**

The Plaintiff's claim against KNKB is premised upon, inter-alia, purported Letters of Offer alleging that KNKB had offered the Plaintiff to subscribe shares of a few public listed companies by way of private placements in various initial public offerings of the said shares.

The Plaintiff is claiming for a sum of RM3,555,000, which was allegedly paid by way of various banker's drafts, substantial loss on alleged loss of profit of said shares in the sum of RM665,000, general damages, interest of 8% per annum on the damages and costs.

The Writ of Summons and Statement of Claim was served on KNKB on 30 December 2008. KNKB has sought an order that the Plaintiff's claim be dismissed with costs. KNKB has also filed a Third Party Notice on the Third Parties on 20 January 2009.

This matter has now been chosen for mediation (an alternative mode of dispute resolution) and is fixed for further mediation on 11 May 2010.

On the other hand, on 11 September 2009, the Court dismissed KNKB's application for Order for Further and Better Particulars with costs in the cause by the Court. KNKB has filed a Notice of Appeal to the Court of Appeal on 25 September 2009 in relation to the dismissal. The Record of Appeal was filed on 6 November 2009. KNKB has on 6 November 2009 and 4 March 2010 written to the President of the Court of Appeal to request for an early date for the said Appeal to be heard.

(d) KIBB had on 17 May 2004, through its solicitors, served a formal demand on a software vendor for breach of contracts for an amount of USD2,246,440.00. In response, KIBB had, through its solicitors, been served with a formal demand on the same contract amounting to USD1,240,800.00.

To date, KIBB has not instructed its solicitors to proceed further.

3. BASE PROSPECTUS AND FIRST SUPPLEMENTARY BASE PROSPECTUS REMAIN IN FULL FORCE SUBJECT TO AMENDMENT

The Base Prospectus and First Supplementary Base Prospectus remains in full force and effect, save and except for the variations to the Base Prospectus and First Supplementary Base Prospectus as set out in this Second Supplementary Base Prospectus.

4. RESPONSIBILITY STATEMENTS

(i) We acknowledge that, based on all available information, and to the best of our knowledge and belief, the Base Prospectus, First Supplementary Base Prospectus and this Second Supplementary Base Prospectus constitute a full and true disclosure of all material facts concerning the Offer.

- (ii) Our Directors have seen and approved this Second Supplementary Base Prospectus. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Second Supplementary Base Prospectus and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Second Supplementary Base Prospectus false or misleading.

Notwithstanding that, our Directors do not accept responsibility for the contents of information on the Underlying Instruments, Underlying Company, ETF Management Company and/or the Underlying Index Sponsor save for the fact that the information is an accurate extract or summary of relevant publicly released information.

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