

On behalf of the Board of Directors, I am pleased to announce the annual results of Sino Katalytics Investment Corporation (the "Company") for the year ended 30 June 2006.

The fiscal year 2006 was a fruitful year for the Group. During the year under review, the Company recorded a turnover of HK\$48,944,177 (2005: HK\$63,516,614) and profit attributable to equity holders of the Company of HK\$11,408,413, compared to a net loss of HK\$9,522,352 for the same period in 2005. The Group achieved a significant turnaround during the year and built a sound foundation for its future development.

As at 30 June 2006, the total assets of the Company was HK\$86,467,322, representing an increase of 105% over the corresponding period in 2005. This further confirms our unique investment policy, which combines the direct investment opportunities in the listed securities with unlisted companies in Hong Kong and PRC in order to generate excess returns. The solid net asset and performance figures reported by the Company at the fiscal year 2006 underscore the success of the unique business model that has allowed us to create shareholders value for the Company. The result is evident by the net profitability achieved by the Company as compared to the net loss for the same period in previous year.

The net asset value ("NAV") per share of the Company was HK\$0.689 as at 30 June 2006, before a one for one bonus issue took place in July 2006.

The Board resolved not to recommend the payment of any annual dividend for the year ended 30 June 2006.

BUSINESS OVERVIEW

During the year under review, the Company changed its name from "China Northern Enterprises Investment Fund Limited" to "Sino Katalytics Investment Corporation". The Board believes that the new company name and identity was necessary to reflect the Company's unique positioning as a premier investor or investment holding for China focused alternative investment opportunities such as private equities and proprietary industry specific funds.

Our unique investment approach was rewarded by a successful financial year with a record profitability level since the Company's listing in 2003. We began a systematic program to improve our performance eighteen months ago and the rewards are just beginning to show. For example, we disciplined ourselves to focus on two sectors, namely telecommunications/media/technology ("TMT") and financial services; we strengthened our internal control procedures and corporate governance measures; and we improved the due diligence and evaluation process in our investment activities. We also limited ourselves to nurturing existing portfolio companies with great expansion potential instead of actively seeking new opportunities. All of the above efforts have helped the Company to focus our resources and to execute a consistent strategy for our investments in listed securities as well as private equity project.

The Company also felt that it was imperative to better align its financial objectives and interests with that of the underlying portfolio companies and assets. Therefore, on 13 September 2005, the Company entered into three independent acquisition agreements to increase its shareholding in Ferndene Limited, CNI Bullion Limited and Quidam Assets Limited, all of which were existing investees of the Company, by way of issuing new ordinary shares of the Company to these investees as the consideration for acquisition. These share transactions represented the investees' commitment to the Company to perform and deliver results as well as the Company's commitment to the investees to help them grow and expand beyond the current size and scale. It is an alignment of common interests to add value to both the underlying assets as well as to the Company itself.

In order to strengthen its shareholder base and increase its financial resources to be in a more flexible position to take on potential investment projects at a sizeable scale, the Company entered into a top-up subscription agreement on 30 December 2005, under which the Company placed 10,500,000 new shares at a price of HK\$0.70 per share. The net proceeds from the placing were approximately HK\$7.15 million. A placing agreement was signed on 9 March 2006, under which 17,300,000 new shares were placed at a price of HK\$0.75 per share and the net proceeds were approximately HK\$12.5 million.

At the Extraordinary General Meeting held on 21 July 2006, the shareholders approved the bonus issue to the shareholders (except overseas shareholders) on the basis of one bonus issue for every one existing share. The bonus shares were credited as fully paid by way of capitalization of an application of an amount of HK\$1,146,409.09 in the share premium account of the Company and 114,640,909 bonus shares were issued pursuant to the bonus issue. The bonus issue was a reward to the long-term support and care of the shareholders, at the same time, it allows the shareholders to participate in the business growth of the Company by way of capitalization of a portion of the share premium account. In order to facilitate the bonus issue and to assist in the future expansion of the Company, the shareholders also approved an increase in the authorized share capital of the Company from HK\$2,000,000 comprising 200,000,000 shares to HK\$5,000,000 comprising 500,000,000 shares.

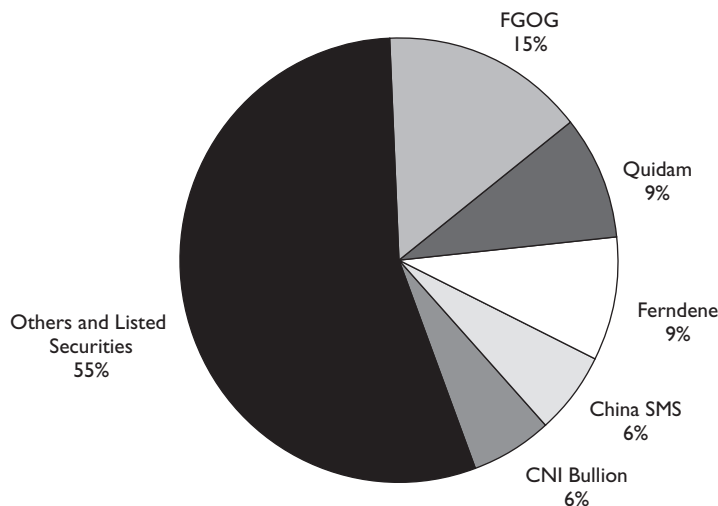
As traditional asset classes such as equities and bonds are not immune to market downturns, global investors are increasingly seeking alternative investment opportunities which typically offer an absolute investment return from year to year. Alternative investments such as private equities and proprietary industry specific funds are gaining popularity. Hence, the vision of the Company is to become the world's premier investor or investment corporation focused on alternative investment opportunities in China. The investment objective is to achieve long-term capital appreciation for shareholders by entering into well-diversified alternative investments of the highest quality. And as a publicly listed vehicle focusing on alternative investments, the advantages that we offer our investors are:

- Improved liquidity and transparency compared to traditional closed end private equity fund;
- Ability to issue new shares or launch rights issues overnight to give instant access to capital;
- No need to engineer artificial exits for underlying portfolio companies;
- Ability to source high growth private equity projects typically not accessible to outside investors.

After spending nearly three years in laying the foundations and building a portfolio of exciting young companies, coupled with the continuing GDP growth around the world, the operations of the Company's investees began to mature and have performed strongly as the investment climate improves. The Company has already established a strong foothold in the PRC market and will continue to leverage on its expertise in the TMT and financial services sectors to identify quality investment opportunities in the PRC, which are managed by investment professionals and acute businessmen with operations experience. The Company believes that a few of the Company's investees are highly competitive in their respective market space and have a strong basis for an eventual IPO or equity sale at favorable valuations in the next twelve to eighteen months.

INVESTMENT PORTFOLIO

As at 30 June 2006, the total NAV of the Company was \$79,014,245. The portfolio was consisted of the following investments as a percentage of the total NAV:



During the year under review, the Company held the following investments:

China SMS Group Limited ("China SMS") 6.29% of NAV

The Company currently holds a 10% interest in China SMS Group China SMS, which is an ensemble of China and Hong Kong based Internet companies providing value-added multimedia products and services. Its primary business segments include corporate based SMS services as well as wireless data services and commercial enterprise solutions. With the growing demand and popularity of wireless applications and content, China SMS is well positioned to attract strategic investors to help expand its business and/or to seek an independent IPO in an established capital market.

CNI Bullion Limited ("CNI Bullion") 5.66% of NAV

The Company owns a 30% interest in CNI Bullion. CNI Bullion is a member of the Chinese Gold and Silver Exchange Society and was formed in March 2005 by a group of experienced bullion practitioners. CNI Bullion's services include trading of London Gold, local Hong Kong Gold and London Silver; providing the latest news of major financial markets; and also other ancillary value-added services including price alerts through instant mobile phone messaging. As bullion price continues to achieve record high levels recently, the Directors believe the Company's interests in CNI Bullion is another good example of the Company's ability to capture an alternative investment opportunity at the right market at the right time.

Since its inception in March 2005, CNI Bullion has been profitable and has representative offices in over 10 major cities in the PRC.

Ferndene Limited ("Ferndene") 9.43% of NAV

The Company owns a 7.97% interest in Ferndene Limited. At the time of its initial inception, Ferndene was incorporated as a privately held investment fund to organize, operate and manage government mandated Internet cafes in the PRC. A wholly-owned subsidiary of Ferndene has secured the exclusive rights from one of the six nation-wide licensees permitted by the Chinese government to invest in and operate a franchise of Internet cafes in ten different administrative regions across China. Unlike cyber cafes overseas, Internet cafes in China are tightly regulated by the central and municipal governments and are the country's largest electronic content distribution channels where tens of millions of China's internet users gathered to play online games, download music and videos, chat to their web mates, check email, and surf the internet.

Four Gold OG Limited ("FGOG") 14.98% of NAV

The Company owns approximately 2.8% interest in FGOG, which develops, owns and operates a real-time metering and billing infrastructure for digital content distribution in the PRC. FGOG is a Singapore based company which is engaged in the licensing and distribution of digital content, such as online games, music, education, entertainment and financial information, in the PRC. It is also the intellectual property owner of the FGOG L7 Platform which enables third party content providers to distribute their digital content in the PRC whilst being able to monitor the real-time sales and payment status of their services remotely from anywhere in the world. The FGOG L7 Platform is inter-connected to various telecom networks with over 20 million captive users and subscribers, including the back office of one of the country's largest education networks.

Since the Company's initial investment in FGOG, the valuation of FGOG has risen significantly and it is becoming an important source of deal flow and operating resources for the Company to source, evaluate and manage new investment opportunities in the telecommunications, media, and technology ("TMT") sector. Its in-house developed 2-D chat room CYHome (<http://cyhome.fgog.com.cn>) is rapidly becoming the trendy social and community portal for students and young internet surfers in the PRC.

Quidam Assets Limited ("Quidam") 9.4% of NAV

The Company owns a 16.79% interest in Quidam Assets Limited. Quidam's subsidiary Orbrich International Factors Company Limited ("OIF") is currently the only wholly foreign-owned financial guaranty and factoring company in China. OIF is licensed by the Tianjin Government and the PRC Ministry of Commerce to provide factoring services that include financing, sales ledger administration and debt collection. It serves companies primarily in Beijing, Tianjin, Shanghai and Dalian.

With China occupying only 5.8 Billion Euro out of the world's 1,000 Billion Euro factoring turnover, OIF is destined to become a market leader in the world of trade finance and factoring for private enterprises in the northeastern regions of the PRC over the next several years. We expect that OIF will attract many interested financial institutions who want to participate in China's financial services sector to foster close partnerships, alliances, or investments relationships with OIF.

Investments in Securities

The Company also invested in a portfolio of securities mainly in listed companies engaged in a variety of unique and high-growth industries in the PRC market. The Company believes that the proven revenue models and strong company fundamentals of its investments will provide attractive returns to the Company in the long run. The industry orientation of the private equity investments has also helped the Company in its selection of listed securities to invest as we develop deeper industry expertise and our ability to analyze the fundamentals of small caps listed companies in the TMT and financial services sectors.

PROSPECTS

Looking forward, the Group will continue to actively seek investment projects in key business sectors of the PRC and Hong Kong markets, including telecommunications, media & technology and financial services. Under the Group's direct investment initiatives, the investment projects must fulfill at least one of the few prerequisites: (i) ownership of proprietary technology, products, or operating status; (ii) possession of undervalued assets; or (iii) control of distribution infrastructure and/or channels.

In addition to the regular investment activities, the Group will also seek to expand our presence in the PRC and Europe by opening representative offices in key locations. We believe the extended network will enable the Group to attract sophisticated investors interested in China's alternative investment opportunities to participate in our fund raising campaigns, as well as enable the Group to seek and develop more exit scenarios for the underlying portfolio companies. We believe the fiscal year 2006-07 will be a year with exciting growth ahead as we look to exit from several maturing portfolio and profit from the full cycle of nurturing them from the day we invest in them to the day they are financially strong and that we can exit to earn the divestment returns.

APPRECIATION

The Board would like to take this opportunity to express our gratitude to all management team and staff members for their dedication and contribution in the past year. We would also like to extend our sincere thanks and appreciation to our shareholders and business partners for their continued support to and confidence in the Group.

Chui Tak Keung, Duncan

Executive Director

Hong Kong, 27 October 2006