

The directors of the Company (“Directors”) are pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 30 June 2006.

CHANGE OF COMPANY NAME

The name of the Company was changed from “Northern China Enterprises Investment Fund Limited” into “Sino Katalytics Investment Corporation” with effect from 11 November 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”). The activities of the subsidiaries are set out in note 34 to the financial statements.

An analysis of the Group’s performance for the year by geographical segments is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 75. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2006.

SHARE CAPITAL AND RESERVES

Details of movements in share capital of the Company during the year are set out in note 24 to the financial statements.

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2006, amounted to HK\$63,865,155 (2005: HK\$34,125,724), calculated in accordance with the laws of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years/period, as extracted from the audited financial statements, is set out on page 76.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SHARE OPTIONS

The details of the share option scheme adopted by the Company on 30 September 2003 are set out in note 25 to the financial statements. No share option has been granted during the year.

DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors

Mr. Chui Tak Keung, Duncan

Mr. Yau Chung Hong

Mr. Chow Ka Wo, Alex (re-designated from non-executive director on 12 September 2005)

Mr. Pong Po Lam (retired on 30 December 2005)

Non-executive Directors

Mr. Ma Kwok Keung, Kenneth

Mr. Chow Ka Wo, Alex (re-designated to executive director on 12 September 2005)

Mr. Wang Zeng Jie (resigned on 12 September 2005)

Independent non-executive Directors

Mr. Lam Kwan

Mr. Chan Ming Sun, Jonathan

Mr. Shiu Siu Tao

In accordance with Article 88(1) of the Company's articles of association, Mr. Yau Chung Hong and Mr. Ma Kwok Keung, Kenneth shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election thereat.

DIRECTOR'S SERVICE CONTRACTS

As at 30 June 2006, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 29 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30 June 2006, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Name	Note	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Chui Tak Keung, Duncan	1	Interest of controlled corporation	22,800,000	19.89%
Mr. Yau Chung Hong	2	Interest of controlled corporation	2,100,000	1.83%
Mr. Chow Ka Wo, Alex		Beneficial Owner	200,000	0.20%

Note 1: *Mr. Chui Tak Keung, Duncan, an executive director of the Company, is deemed to be interested in 22,800,000 shares by virtue of his shareholding in Four Gold MS H01 Limited.*

Note 2: *Mr. Yau Chung Hong, an executive director of the Company, is deemed to be interested in 2,100,000 shares by virtue of his shareholding in Sellwell Enterprises Limited.*

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 30 June 2006.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the parties which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Ordinary shares of HK\$0.01 each of the Company

Name	Note	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Chui Tak Keung, Duncan	1	Interest of controlled corporation	22,800,000	19.89%
Mr. Li Yiu Keung		Beneficial Owner	13,000,000	11.34%
DKR Oasis Management Company LP	2	Interest of controlled corporation	10,000,000	8.72%

Note 1: Mr. Chui Tak Keung, Duncan, an executive director of the Company, is deemed to be interested in 22,800,000 shares by virtue of his shareholding in Four Gold MS H01 Limited.

Note 2: DKR Capital Inc., DKR Management Company, DKR Capital Partners LP, Oasis Management Holding LLC and DKR SoundShore Oasis Holding Fund Ltd. are deemed to be interested in 10,000,000 shares by virtue of their direct or indirect control over DKR Oasis Management Company LP.

Save as disclosed above, as at 30 June 2006, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director, the chief executive or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by the Company during the year, which are or may be material:

- A placing agreement dated 30 December 2005 (as supplemented on 9 January 2006) as disclosed in the Company's announcement dated 9 January 2006; and
- A placing agreement dated 9 March 2006 as disclosed in the Company's announcement dated 13 March 2006.

Save as disclosed, no other material contract (not being contract entered into in the ordinary course of business) was entered into by any member of the Group during the year.

LITIGATION

As at 30 June 2006, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party and connected transactions of the Group during the year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 32 to the financial statements.

AUDITORS

KLL Associates CPA Limited (“KLL”) had been the auditors of the Company since the Company was listed in October 2003 until their practice merged with that of BDO McCabe Lo Limited (“BDO”) in 2005. BDO was appointed as auditors of the Company immediately following the resignation of KLL on 30 September 2005. BDO resigned as auditors of the Company on 28 August 2006 and SHINEWING (HK) CPA Limited (“SHINEWING”) was appointed to take its place.

The financial statements have been audited by SHINEWING. A resolution will be submitted at the forthcoming annual general meeting to re-appoint SHINEWING as auditors of the Company.

On behalf of the Board

Yau Chung Hong

Executive Director

Hong Kong, 27 October 2006