

SovGEM Limited
(“SovGEM” or “the Company”)
Interim Results

SovGEM Limited, an emerging market equity finance house, today reports its Interim Results for the six months ended 30 June 2006.

Highlights for financial period ended 30 June 2006

- Net Asset Value increased 19.4% from 18.42p to 22p per ordinary share
- Pretax profit up from £53,039 to £153,712
- Basic earnings per ordinary share 0.67p (0.23p)
- Profit and loss account increased by £563,245 from £275,966 to £839,211
- Earnings per ordinary share on total recognized gains and losses 3.56p (1.77p)
- Cash gain on sale of investments £773,410 (£122,697)
- Increase in unrealised gains in period £658,190 (£349,507)
- Successful completion of eight further investments. SovGEM has now completed twelve investments
- Cash at bank £374,094 (£1.97million)

Hugh de Lusignan, Chief Executive Officer and co-founder of SovGEM, said: “It has been a strong period of growth and activity for SovGEM with a substantial increase in profitability. This has been reflected in our 19.4% rise in net asset value at the interim stage and through undertaking eight investments, taking our portfolio cash position from 35.7% to 7.4%. We have made some substantial sales during the period resulting in cash gains of £773,410. We have a good deal pipeline, which due to recent market conditions and changes in valuations offers interesting investment opportunities.”

For further information:

SovGEM Limited

Hugh de Lusignan, Chief Executive Officer

hdelusignan@sovereigngroup.com

Tel: +44 (0) 20 7398 7700

Teather & Greenwood

Tom Hulme, Corporate Finance

Adam Pollock, Sales

adam.pollock@teathers.com

Tel: +44 (0) 20 7426 9000

www.teathers.com

Media enquiries:

Abchurch

Heather Salmond / Charlie Jack

charlie.jack@abchurch-group.com

Tel: +44 (0) 20 7398 7700

www.abchurch-group.com

Chairman's Statement

I am delighted to report our Interim Results for the six months to 30 June 2006. We are particularly pleased that our profit and loss account has increased by £563,245 from £275,966 to £839,211. We have seen a healthy rise in net asset value of 19.4% from 18.42p to 22p. Total assets now stand at £5,003,064. The strength of these numbers is illustrated by the fact that earnings per ordinary share on total recognized gains was 3.56p (1.77p) and compares with 5.8p for the full year to December 2005. This reflects the cash gain on sales of investments in the period of £773,410. Furthermore the increase in unrealized gains in the period was £658,190 and as at the end of June our portfolio has unrealised gains of £1,295,454.

This represents a strong performance in the face of a significant correction in global markets since May that disproportionately affected Emerging Markets. Despite this, our portfolio has stood up well, due to our concentration on profitable and cash generative companies showing excellent growth potential. We are confident that the strong profits growth of our investments will help their share prices reassert themselves over the coming months.

We are also confident that some of our unquoted investments (that are carried at cost) will, through the IPO process, be re-valued during the second half of 2006 whether they list on either the AIM market in the UK or on a stock market in America.

We remain committed to investing in the strong growth potential of China and other Emerging Markets, whilst continuing with our strategy of reducing risk by focusing on privately owned companies which are seeking to list overseas and which have been subjected to due diligence by established international advisors and accountants.

Garth Milne
Chairman

**PROFIT AND LOSS ACCOUNT SIX
MONTH PERIOD ENDED 30 JUNE 2006**

	Note	6 months ended 30.06.2006 Unaudited £	6 months ended 30.06.2005 Unaudited £	12 months ended 31.12.2005 Audited £
TURNOVER		-	-	-
LESS: COST OF SALES		-	-	-
GROSS PROFIT		-	-	-
ADMINISTRATION EXPENSES	4	(224,242)	(108,769)	(263,747)
OPERATING LOSS		(224,242)	(108,769)	(263,747)
GAIN ON SALE OF FIXED ASSET INVESTMENTS		363,877	122,697	451,680
INVESTMENT INCOME		-	798	798
INTEREST RECEIVABLE		14,077	38,370	87,235
PROFIT ON ORDINARY ACTIVITIES RETAINED		153,712	53,096	275,966
Basic profit per ordinary share		0.67p	0.23p	1.21p

**STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES**

Profit for the financial period	153,712	53,096	275,966
Unrealised gain on revaluation of listed investments	658,190	349,507	1,046,797
Total recognised gains and losses since last report	811,902	402,603	1,322,763

BALANCE SHEET AS AT 30 JUNE 2006

	Note	30.06.2006 Unaudited	30.06.2005 Unaudited	31.12.2005 Audited
FIXED ASSETS				
Investments		4,605,727	1,075,038	2,613,302
CURRENT ASSETS				
Debtors and prepayments		47,585	204,998	115,512
Cash at bank and in hand		374,094	1,974,504	1,539,060
		<u>421,679</u>	<u>2,179,502</u>	<u>1,654,572</u>
CREDITORS				
Amounts falling due within one year				
Sundry creditors		24,342	14,890	76,712
		<u>397,337</u>	<u>2,164,612</u>	<u>1,577,860</u>
NET ASSETS		<u>5,003,064</u>	<u>3,239,650</u>	<u>4,191,162</u>
CAPITAL AND RESERVES				

Called up share capital	2	228	228	228
Share premium account		2,868,171	2,867,225	2,868,171
Profit and loss account	3	839,211	22,690	275,966
Revaluation reserve	3	1,295,454	349,507	1,046,797
		<hr/>	<hr/>	<hr/>
SHAREHOLDERS FUNDS		5,003,064	3,239,650	4,191,162
		<hr/>	<hr/>	<hr/>

Cash flow statement

	6 months ended 30.06.2006 Unaudited	6 months ended 30.06.2005 Unaudited	12 months ended 31.12.2005 Audited
CASH OUTFLOW FROM OPERATIONS	(208,685)	(304,939)	(302,547)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Investment Income	-	798	798
Interest received on cash placed on deposit	14,077	38,370	87,235
	<hr/>	<hr/>	<hr/>
	14,077	39,168	88,032
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed asset investments	(1,966,942)	(531,915)	(2,224,027)
Sale of fixed asset investments	996,584	421,525	1,109,207
	<hr/>	<hr/>	<hr/>
	(970,358)	(110,390)	(1,114,820)
FINANCING			
Issue of ordinary shares net of expenses	-	(41,151)	2,868,395
	<hr/>	<hr/>	<hr/>

CASH INFLOW/(OUTFLOW)	(1,164,966)	(417,312)	1,539,060
	_____	_____	_____
Decrease in cash	(1,164,966)	(417,312)	1,539,060
Opening bank balance	1,539,060	2,391,816	-
	_____	_____	_____
Closing bank balance	374,094	1,974,504	1,539,060
	_____	_____	_____

Notes

Reconciliation of operating profits to net cash flow from operating activities

Operating loss	(224,242)	(108,769)	(263,747)
(Increase)/decrease in debtors	67,927	(179,100)	(115,512)
Increase/(decrease) in creditors	(52,370)	(17,070)	(76,712)
	_____	_____	_____
Net cash outflow from operations	(208,685)	(304,939)	(302,547)
	_____	_____	_____

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historic cost convention and in accordance with UK GAAP.

The comparative figures comprise of the unaudited interim accounts prepared for the six month period 1 January 2005 to 30 June 2005.

The current accounts relate to the six month period from 1 January 2006 to 30 June 2006.

The figures for the period ended 31 December 2005 have been extracted from the accounts for that period. Those financial statements have been delivered to the Registrar of Companies and included an auditors' report which was unqualified.

The interim financial information has been prepared using the same accounting policies and estimation techniques as set out in the accounts for the period ended 31 December 2005.

2 SHARE CAPITAL

	2006	2005
Authorised		
25,792,250 shares of 0.001 each	258	258
Issued and fully paid	_____	_____
22,775,000 shares of 0.001 each	228	228
	_____	_____

3 Reserves

	Revaluation reserve	Profit and loss account
As at 1 January 2006	1,046,797	275,966
Profit for the financial period	-	153,712
Transfer of realised profits on disposal of investments in the period	(409,533)	409,533
Revaluation of fixed asset investments	658,190	-
As at 30 June 2006	1,295,454	839,211
	_____	_____

4 ADMINISTRATION EXPENSES

Administration expenses include gains and losses on foreign currency transactions.

NOTE

The information set out above does not constitute statutory accounts within the meaning of Article 104 of the Companies (Jersey) Law 2001.

Copies of the interim report, which was approved by the Board of Directors on 31 July 2006, will be posted on the Company's website at www.SovGEM.com