



Press Release

21 March 2006

SovGEM Limited

("SovGEM" or "the Company")

Preliminary Results

SovGEM Limited, an emerging market equity finance house, today reports its Preliminary Results for the period from 22nd October 2004 to 31st December 2005. The Company was established principally for the purpose of making investments in Chinese and emerging market small and mid cap companies.

Highlights for financial period ending 31 December 2005

- Retained profits of £275,966
- Earnings per share of 1.2p
- Total recognised gains of £1,322,763, providing an effective earnings per share of 5.8p
- Cash position at period end of £1,539,060
- Net Asset Value in period from admission to AIM to 31st December 2005 up 46.1% from 12.6p to 18.42p
- Share buy back for up to £250,000 proposed.
- Four investments and one commitment completed in the first period of operation.
- Network of investment introducers widened
- Since period end five new investments completed and a strong pipeline of potential investment opportunities. Directors estimate that as of 4.30pm 20 March 2006 the NAV was 25.7p

Hugh de Lusignan, Chief Executive Officer and co-founder of SovGEM, said:

"I am very pleased with SovGEM's achievement in the period. We made four successful investments and one commitment to invest, with a strong pipeline going forward. These investments have made SovGEM profitable with recognised gains of £1,322,763.

Importantly we have delivered on our stated policy of investing in Chinese focused businesses and broader emerging markets. This has been achieved against the challenging environment of a 5-month share suspension during which we were in takeover discussions that were subsequently terminated. However, this has had the positive effect of allowing SovGEM to work with a wider network of investment introducers. “

For further information:

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Chairman's Statement

I am pleased to report a profitable first period for SovGEM during which it has delivered a 46.1% return on capital employed. During the period the Company has undergone important change that has resulted in a stabilised business with realised investment success to date and a clear investment strategy going forward.

We remain committed to emerging market investing and our bias to Chinese investing. Chinese economic growth continues apace. Economic growth based on domestic demand consumption appears to have outpaced most economic forecasts. Our investment strategy mirrors a strong and simple belief that companies servicing Chinese domestic demand will continue to prosper. Like all economies and markets, investment does not come without risk. SovGEM's investment criteria and approach aims to mitigate these risks by focusing on a wide variety of China related investments where we feel that the management are as much as possible sharing risk with their shareholders.

We restructured our relationship with Benchmark Capital & Finance (now known as New York Global Group NYGG) in September. We are, however, still committed to the relationship with NYGG and are grateful for the successful investments they have introduced to us.

We have now in place a wide group of introducers of possible investments including brokers in the UK, New York, and Hong Kong, accountancy firms, law firms and Chinese mainland advisory and investment firms.

I thank Hugh de Lusignan (CEO) and Douglas Kearney (Finance Director) for their enthusiasm and dedicated professionalism, they, alongside the Board have ensured profitability and a defined strategy going forward.

Having listened very closely to our shareholders we have decided not to recommend a dividend for this period. We have, however, decided that we will propose a share buy back facility of up to £250,000.

I remain excited for the prospects for the Company and believe that the current investments and pipeline of opportunities provide an excellent opportunity for those wishing to access China and other emerging markets.

Garth Milne
Chairman
21 March 2006

CHIEF EXECUTIVE OFFICERS REPORT

Results

We are pleased to be able to report total recognised gains of £1,322,763 during the period to 31st December 2005. Moreover, realised gains on the sale of investments of £451,680 during the period resulted in retained profits of £275,966.

Our portfolio of investments has performed well and our Net Asset Value has risen 46.1% during the period under review. By the period end we had increased shareholders' funds from £2,868,395 to £4,191,162.

A summary of each of the investments we have made is provided below but I would like to highlight the performance of our first two investments, as I believe they illustrate our investment model well.

Our first investment in November 2004 was in US OTC bulletin board stock Bodisen Biotech. Inevitably liquidity and visibility was initially very limited. However our faith in Bodisen's extremely positive business has proved well founded. By September 2005 they had progressed to the AMEX market and have subsequently (February 2006) dual listed on the AIM market here in London. Bodisen is now the largest Chinese stock listed on AIM with a market capitalisation of approximately \$260 million.

Our second investment in February 2005 was Harbin Electric another OTC bulletin board stock. Harbin is working hard to move to a more senior exchange. Meanwhile the share price has risen from our "in price" of \$2 to \$8 at the period end. During this period we have conservatively reduced our exposure from 500,000 shares to 196,700. We believe there is considerable further upside for this company both operationally and in how the market rates its growth and prospects.

In total we invested and committed £2,794,703 in 5 companies. The largest commitment made was \$1,200,000 the smallest £500,000. Only one of the investments, Tynda Forest Holdings, was unquoted.

Cash and borrowings

The Company has at no time during the period taken on any debt and our period end cash position was £1,539,060.

Financial Position

The Company has sufficient resources to maintain its current business plan.

Valuations

From time to time we publish unaudited NAVs. These are based on the previous day's mid closing price for quoted stocks. Unquoted stocks are generally valued at cost until the first set of accounts for a full financial period subsequent to investment are received. Investors should be aware that some of our quoted investments are in illiquid markets such as OTC bulletin board or Ofex. If market conditions were to alter or individual companies were to have any form of adverse or positive news then these share prices could swing rapidly.

Prospects

The outlook for SovGEM is good. Since the period end we have invested a further £1,027,000 in five companies part financed by the sale of some investments, in addition to completing our investment in China Natural Gas, which was a commitment of £570,679 at 31st December 2005. We have current cash resources of £911,179

We are confident that we have an exciting pipeline of deals developing. These may at some stage soon exceed our financial capabilities. At that time we may have to consider whether we can introduce gearing into the company or seek additional funds.

Investing in China and other Global Emerging Markets should always be considered relatively high risk. Changes in economic or regulatory regimes can happen rapidly and without warning, but with these caveats in mind, we are very keen to continue our policy of active investment.

It is very difficult to make forward predictions for profits growth, however, since the period end our NAV has continued to rise. Directors' current best estimates (unaudited) are that our NAV at 4.30pm on 20 March 2006 was 25.7p up 103.9% from our initial NAV

of 12.61p. This represents a gain in 2006 so far of 39.5% over our December 31st 2005 NAV.

Investment Review

Bodisen Biotech, Inc.

This was the first investment and the terms were agreed prior to the float of SovGEM, and the details were included in the admission document. Subsequent to our float the acquisition price was reduced from \$5 to \$4.50 per share.

Bodisen is a manufacturer and distributor of organic fertilisers based in a major agriculture area of China, near the city of Xian.

Bodisen had listed on the Bulletin Board, a junior US quoted market, prior to our acquisition of shares.

Bodisen was and remains a rapidly growing business, which has effectively doubled in size each year. The company was in the process of building an additional plant to cope with increasing demand at the time of our investment. This new plant has now opened.

The investment offered significant potential capital growth for its shareholders. It also intended to move up a division to the AMEX market, which would further enhance value as this market attracts institutional investors that do not invest in the Bulletin Board.

The shares have been sold throughout the year, and have generated significant profits. Bodisen sought a listing on AIM, which it achieved last month. We participated in the London listing with the purchase of around 38,000 shares and we believe the company's prospects remain strong.

Full details at www.bodisen.com

Harbin Electric, Inc.

Harbin Electric Inc. designs, develops and manufactures linear motors (LIMs) and special electric motors. With proprietary technology and core Chinese patents, the Company builds customised linear motors for a variety of applications and industries. Harbin Electric currently designs and supplies its linear motor products and systems to

numerous end users throughout the China domestic market, as well as, to industrial original equipment manufacturing (OEM) customers overseas. Industry segments served include oil services, factory automation, automotive, construction machinery, packaging, and mass transportation systems.

The Company, which is based in Harbin, has about 160 employees with approximately 200,000 square feet of state-of-the-art manufacturing facilities.

There are few linear motor manufacturers in the world, and we believe this is the first in China. The company has won significant supply contracts and has already reported encouraging results. The prospects for the business appear to be very strong, particularly in the area of public transit systems.

We bought stock as the company was listing on the OTC BB. We invested \$1m for 500,000 shares at \$2 per share.

We sold some stock over the year realising \$1,105,526. We currently hold 196,700 shares and we are holding our current position, as we believe there is still considerable uplift to come from this investment. The share price at the year-end was \$8.

Full details at www.harbinelectric.com

American Oriental Bioengineering, Inc. (AOBO)

AOBO was established in 1970. The Company was listed on OTC bulletin board through a reverse merger of Harbin Three Happiness Bioengineering Co., Ltd. in 2001. The Company name was changed to American Oriental Bioengineering, Inc. after the merger.

The Company was listed on AMEX, on July 8, 2005. AOBO's business lines cover two segments: plant based pharmaceuticals (80 product lines) and plant based nutraceuticals (20 products.)

The company concentrates on selling to the domestic Chinese market.

At the end of 2005 the company embarked on a \$60m fund raising to provide capital for further product and corporate acquisitions. SovGEM invested \$1.2m in this PIPE (private investment in a public entity) transaction.

Full details are at www.bioaobo.com

Tynda Forest Holdings Limited

Tynda Forest Holdings Limited is a sustainable harvester and producer of forest products. The company holds felling rights over some 1.6m hectares in Far Eastern Russia immediately to the north of the Chinese border.

The company set out last year to raise capital to assist in increasing annual timber production, and to improve and develop its timber processing facilities and in December SovGEM invested £500,000.

The company generates most of its revenues from the sales of timber to China, Japan and Korea. A small proportion of sales come from the sale of processed wood- MDF. Tynda is actively looking at investment in further wood processing capacity in northern China.

This is a pure private equity investment, with an exit anticipated on the planned float on AIM later this year.

Full details are at www.tynda-forest.com

Hugh de Lusignan
Chief Executive Officer
21 March 2006

PROFIT AND LOSS ACCOUNT
Period ended 31 December 2005

	Note	Period ended 31 Dec 2005 £
Turnover		-
Gross profit		-
Administrative expenses		(263,747)
Operating loss		<u>(263,747)</u>
Gain on sale of fixed asset investments		451,680
Interest receivable		87,235
Investment income		<u>798</u>
		275,966
Taxation		-
Retained profit for the period		<u>275,966</u>
Basic and diluted earnings per share	2	<u>1.21 pence</u>

All operations are continuing.

STATEMENT OF RECOGNISED GAINS AND LOSSES

Profit for the financial period	275,966
Unrealised gain on revaluation of listed investments	1,046,797
Total recognised gains and losses	<u>1,322,763</u>

The accompanying notes and accounting policies form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2005

	Note	2005 £
Fixed assets		
Investments	3	2,613,302
Current assets		
Debtors		115,512
Cash at bank and in hand		1,539,060
		1,654,572
Creditors: amounts falling due within one year		(76,712)
Net current assets		<u>1,577,860</u>
Total assets less current liabilities		<u>4,191,162</u>
Share capital and reserves		
Called up share capital		228
Share premium account	4	2,868,171
Revaluation reserve	4	1,046,797
Profit and loss account	4	275,966
Equity shareholders' funds	5	<u>4,191,162</u>

The accompanying notes and accounting policies form an integral part of these financial statements.

Cash flow statement
Period ended 31 December 2005

	Note	Period ended 31 Dec 2005 £
Net cash outflow from operating activities	6	(302,548)
Returns on investments and servicing of finance	7	88,033
Capital expenditure and financial investment	7	<u>(1,114,820)</u>
Net cash outflow before financing		(1,329,335)
Financing		
Issue of shares		3,408,042
Expenses paid in connection with share issue		<u>(539,647)</u>
Net cash inflow from financing		<u>2,868,395</u>
Increase in cash	8	<u>1,539,060</u>

The accompanying notes and accounting policies form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 2005

1. ACCOUNTING POLICIES

Basis of Preparation

The financial information set out above does not constitute the Company's statutory financial statements for the period ended 31 December 2005 but is derived from those financial statements. The statutory financial statements for the period ended 31 December 2005 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

The particular accounting policies adopted are described below and have remained unchanged throughout the period.

Accounting convention

The financial statements are prepared under the historical cost convention, except for the revaluation of investments.

Fixed asset investments

It is the company's policy to hold fixed asset investments for the long term, however from time to time some disposals are made to finance short term requirements.

Listed fixed asset investments are stated at market value per the relevant stock exchange as at the balance sheet date. Unlisted fixed asset investments are generally valued at cost until the first set of accounts for a full financial period subsequent to investment are received. Thereafter unlisted fixed asset investments are carried at cost less any provision for permanent diminution in value.

Realised gains and losses on fixed asset investments are dealt with through the profit and loss account after operating profit. Income from fixed asset investments is dealt with through the profit and loss account after operating profit.

Foreign currency transactions

Each asset, liability, revenue or cost arising from a transaction denominated in a foreign currency is translated into sterling at the exchange rate in operation on the date on which the transaction occurred.

At the balance sheet date, each monetary asset and liability denominated in a foreign currency is translated using the exchange rate prevailing at that date.

Taxation

The company is a registered Jersey company and is outwith the scope of UK taxation.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Income and expenditure of financial instruments are recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Share options

No charge is made to the profit and loss account in respect of the options over the Company's shares held by Directors.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 2005

2. Earnings per share

The basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares issued during the period.

Diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the total average number of share issued during the period and the number of shares relating to outstanding options. As at 31 December 2005 there were no dilutive potential ordinary shares.

	2005
	£
Profit for the period	275,966
Weighted average of ordinary shares of 0.001p in issue	<u>22,775,000</u>
Earnings per share – basic and diluted	<u>1.21 pence</u>

3. Fixed asset investments

Valuation	Listed £	Unlisted £	Total £
Additions in the period	1,724,027	500,000	2,224,027
Disposals	(657,522)	-	(657,522)
Revaluation	1,046,797	-	1,046,797
Net book value as at 31 December 2005	<u>2,113,302</u>	<u>500,000</u>	<u>2,613,302</u>

Listed investments are included at stock exchange value.

Unlisted investments are recorded at cost less any provision for permanent diminution in value.

As at 31 December 2005, the company owned 250,000 common stock and warrants to purchase 75,000 common stock in American Oriental Bioengineering Inc. At that time the shares were restricted and SovGEM Limited were unable to dispose of any of their holding on the AMEX market. In this instance the holding has been valued at the lower of cost and net realisable value.

4. Statement of movement of reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
Profit for the financial period	-	-	275,966
Premium on allotment of shares in the period net of expenses	2,868,171	-	-

Revaluation of fixed asset investments	-	1,046,797	-
As at 31 December 2005	2,868,171	1,046,797	275,966

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 2005

5. MOVEMENT IN SHAREHOLDERS' FUNDS

	2005
	£
Profit for the financial period	275,966
Net proceeds of shares issued	2,868,399
Revaluation of fixed asset investments	1,046,797
Closing shareholders' funds	4,191,162

6. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period ended 31 Dec 2005 £
Operating loss	(263,747)
Increase in debtors	(115,512)
Increase in creditors	76,711
Net cash outflow from operating activities	(302,548)

7. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period ended 31 Dec 2005 £
Returns on investments and servicing of finance	
Investment income	798
Interest received on cash placed on deposit	87,235
	88,033
Capital expenditure and financial investment	
Purchase of fixed asset investments	(2,224,027)
Sale of fixed asset investments	1,109,207
	(1,114,820)

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 2005

8. ANALYSIS OF CHANGE IN NET FUNDS

	Cash flow £	Period ended 31 Dec 2005 £
Cash at bank and in hand at 31 December 2005	1,539,060	1,539,060

9. CAPITAL COMMITMENTS

As at 31 December 2005, the company had entered into the following financial commitments relating to fixed asset investments:

Company Name	Investment commitment	Commitment Value £
China Natural Gas Inc	To purchase 357,143 of Common Stock at a price of \$2.80 per share with warrants attached whereby the shareholder will have the right to acquire the number of shares of Common Stock equal to 30% of the invested amount divided by \$3.60.	570,679

10. POST BALANCE SHEET EVENTS

On 10th January 2006 the company acquired 8,888,900 of ordinary shares in Concorde Oil and Gas plc at a price of 2.25 pence per share.

On 13th January 2006 the company acquired 357,143 of common stock in China Natural Gas Inc at a price of \$2.80 per share.

On 1st February 2006 the Company acquired 38,000 ordinary shares in Bodisen Biotech Inc. common stock at a price of £7.30 per share.

On 22nd February 2006 the Company acquired 666,667 ordinary shares in KimCor Diamonds plc at a price of 15 pence per share.

On the 22nd February the Company acquired 400,000 common shares in CEP International Petroleum Limited at a price of Canadian \$1 per share.

On the 28th February 2006 the Company acquired 1,300,000 ordinary shares in Sinosoft Technology Plc at a price of 19p per share.