



SovGEM Limited

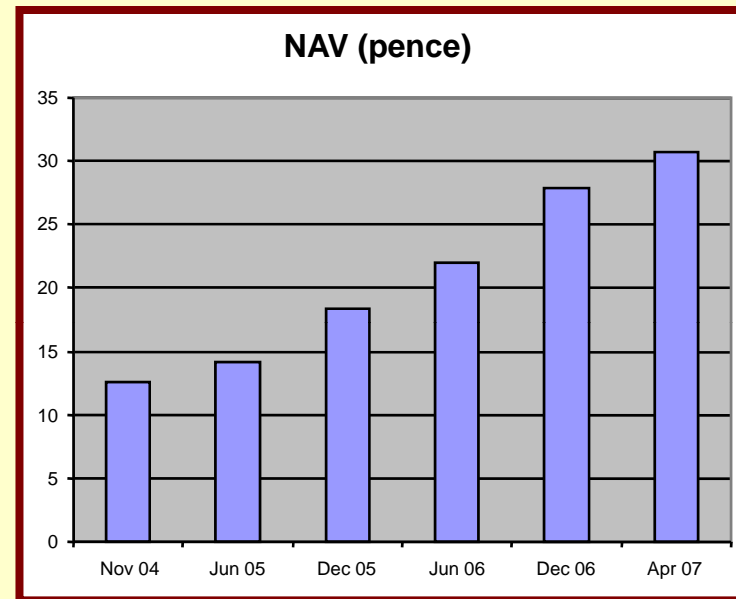
*The emerging market finance house*

Investor Presentation

23 May 2007

# China investment specialists

- o Successful track record in Chinese investment
- o Highly experienced management team
- o Aim quoted (AiM: SOV)
- o Broad range of investment options debt/equity
- o Tax efficient structure



SovGEM NAV per share since inception

# Investment Strategy

- SovGEM focuses on providing step change finance to emerging market related companies (principally Chinese) who are either unquoted or quoted on junior markets
- Most of our investments are in privately owned and run SMEs with profitable trading histories
- Value is created as these companies either list (in major investment markets such as UK or US) or progress from junior markets (bulletin board/ OFEX) to institutionally recognised exchanges (AMEX/ NASDAQ/ AIM.)
- Typically it can take 6-18 months for strategy to mature
- SovGEM typically takes a 5% or lower exposure
- SovGEM does not take short investment positions

Share Price



# Chinese domestic demand

- o Real GDP growth continues strongly and forecast to grow 9.5% 2007 and 9% in 2008\*
- o 2007 17<sup>th</sup> Party Congress, 2008 Beijing Olympics
- o 90% of growth coming from domestic demand consumption
- o SovGEM focuses on companies that service domestic demand rather than exporters
- o Increasing numbers of our target companies, which are profitable and cash flow positive, are growing to the stage where outside capital is required for further growth

\*Economic Intelligence Unit



# Deal Generation

- o SovGEM has an extensive network of professional advisors and associates giving access to the small cap Chinese and other emerging markets
- o To date, we have invested in 21 companies introduced by 9 different brokers, 5 UK-based and 4 US-based
- o By working with institutional brokers, institutional law firms and accountants we can reduce the inherent risks associated with emerging market investment.
- o High number of investment opportunities brought to SovGEM, up to 5 Chinese companies seen each week

# Financial Highlights

- o 2006 Net Asset Value (NAV) increased 51.6% to 27.91p
  - o 2005: NAV increased 46% to 18.4p (restated)
- o Basic earnings per share increased 296% to 4.44p (2005: 1.19p restated)
- o Net unrealised gains £1,586,027 (2005: £1,046,797)
- o Profits £1,013,294 (2005: restated £272,512)
- o Total number of investments at year end 15 (2005: 4)
- o Directors' estimate of NAV at 17/05/07 is 31.75p, up 13.8% in the year.

# Balance Sheet

£'000	31 Dec 2006 £	31 Dec 2005 £ (restated)
Fixed Assets	5,423,678	2,613,302
Current Assets	1,208,306	1,654,172
Creditors	(277,617)	(76,712)
Total Assets less current liabilities	6,354,367	4,191,162
Share Capital/Premium	2,868,399	2,868,399
Reserves	3,485,968	1,322,763
Net Asset value per share	27.91 p	18.4 p
Share Price	18 p	9 p

# Major investments and case studies



# Bodisen Biotech

- o Bodisen Biotech, Inc. (BBC) is a Chinese based manufacturer of organic fertilizer
- o In December 2004 SovGEM invested US\$945,000 in BBC at \$4.50 per share
- o SovGEM also participated in BBC's £12m placing on AIM
- o All holdings in Bodisen have now been sold and SovGEM has realised a return of 108% over a 14-month period





# Harbin Electric

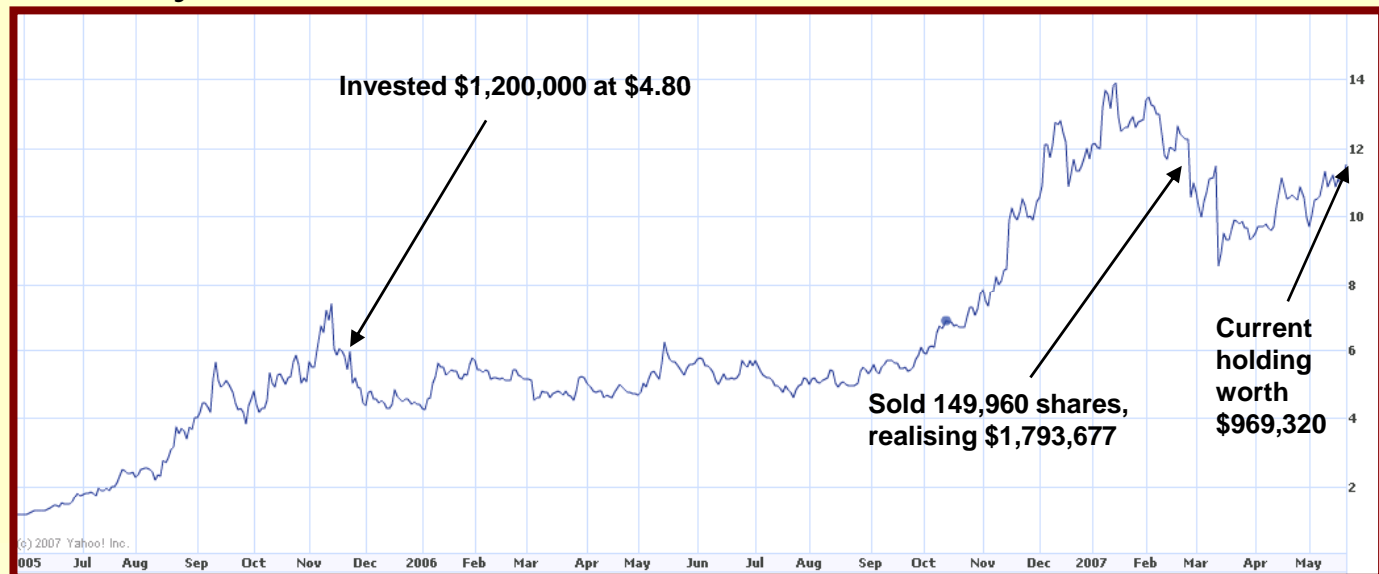
- o Harbin Electric (HRBN), a manufacturer of linear induction motors (LIM).
- o In February 2005 SovGEM invested US\$1,000,000 at US\$2.00.
- o We have to date sold (after costs) of \$1,525,966 a realised gain on investment of 125%
- o Our current holding of 161,700 is valued at \$2,110,185 a gain on investment of 552%
- o Recently closed \$50m financing from Citadel & Merrill Lynch
- o Harbin achieved its expected NASDAQ listing in January 2007
- o Current share price US\$13.05 as of 17/05/07



# American Oriental Bioengineering Inc.



- o AOB is a leading Chinese producer and distributor of a broad range of pharmaceutical and nutraceutical products for the Chinese domestic market
- o In November 2005, SovGEM invested US\$1,200,000 at US\$4.80, including warrants
- o SovGEM has sold 149,960 shares realising \$1,793,677, a gain of sale of \$1,073,869
- o Remaining 88,040 shares are valued at \$969,320 equivalent to an unrealised gain of \$546,728
- o In addition hold 75,000 5 year warrants convertible at \$6.50





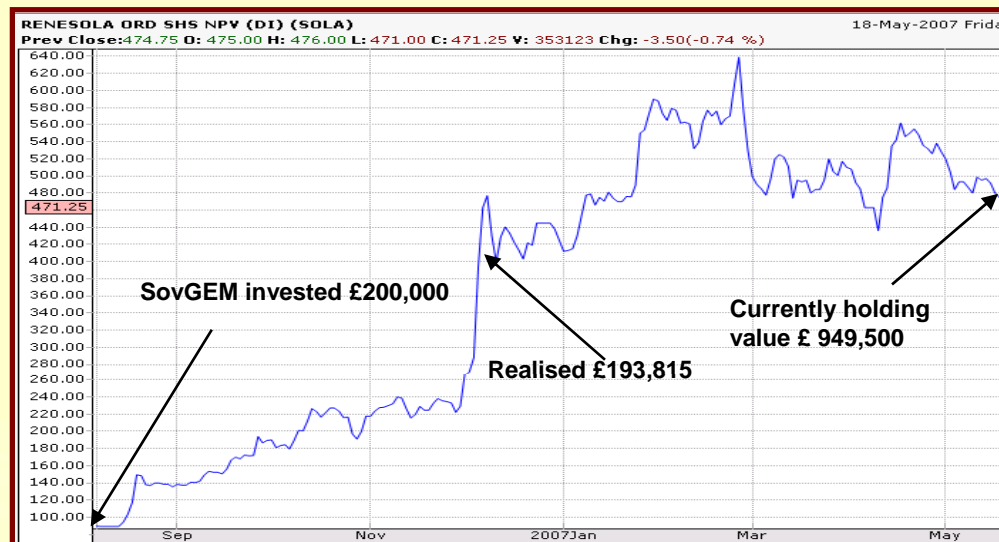
# Russian Timber Group Limited

- o Russian Timber Group [formerly Tynda Forest] is a private established forestry products company based in the Amur region of Russia's Far East servicing Chinese demand for timber
- o The Company was founded by Peter Hambro and Pavel Mavelosky of Peter Hambro Mining
- o 22 December 2005: SovGEM invested £500,000 in Tynda Forest Holdings
- o Citigroup appointed to manage 2007 flotation on AiM
- o Russian Timber Group has been revalued at £1,133,333 as at 31/12/06

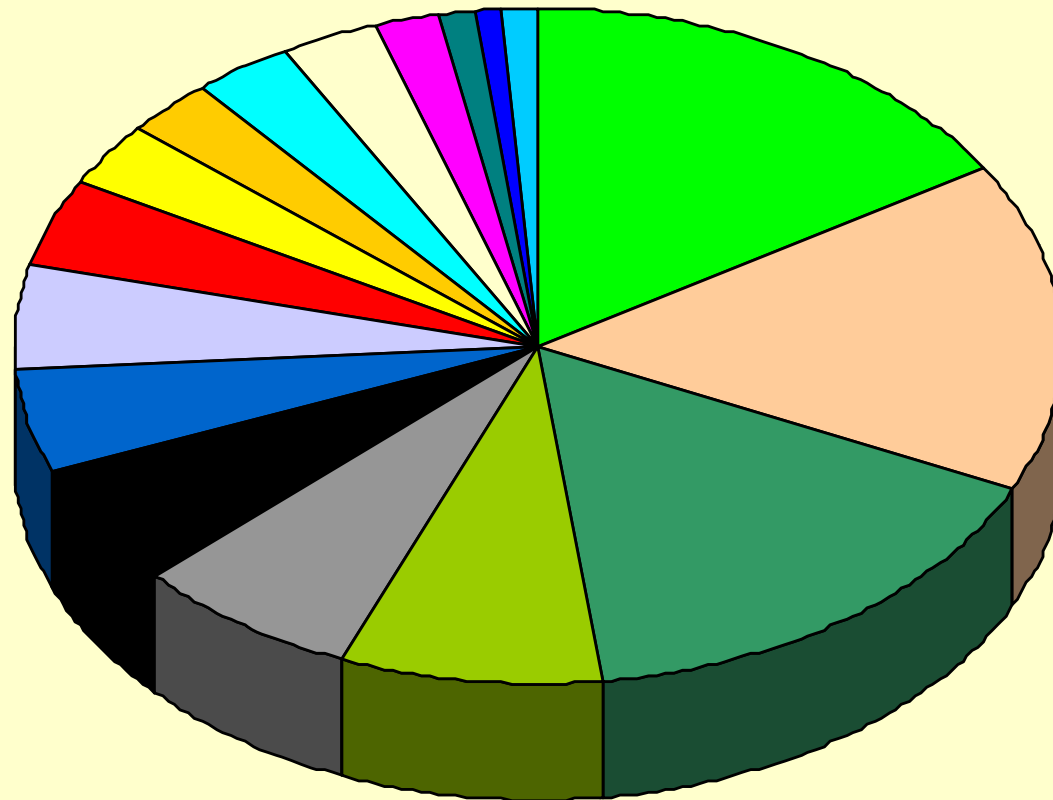


# Renesola

- SovGEM invested £200,000 in Renesola Limited (AIM:SOLA), which was introduced to AIM on 8 August
- Renesola is a Chinese manufacturer of solar wafers for integration into photovoltaic (PV) cell, the principal component of crystalline solar panels.
- Renesola floated with a pre-money valuation of \$100m and raised \$50m. SovGEM bought 250,000 shares at 78.5p.
- In 2006 SovGEM sold 43,902 SOLA shares realising £193,815, a gain of 462%
- Our remaining 200,000 shares are currently trading at 475p, representing a valuation of £949,500, an increase of 500%

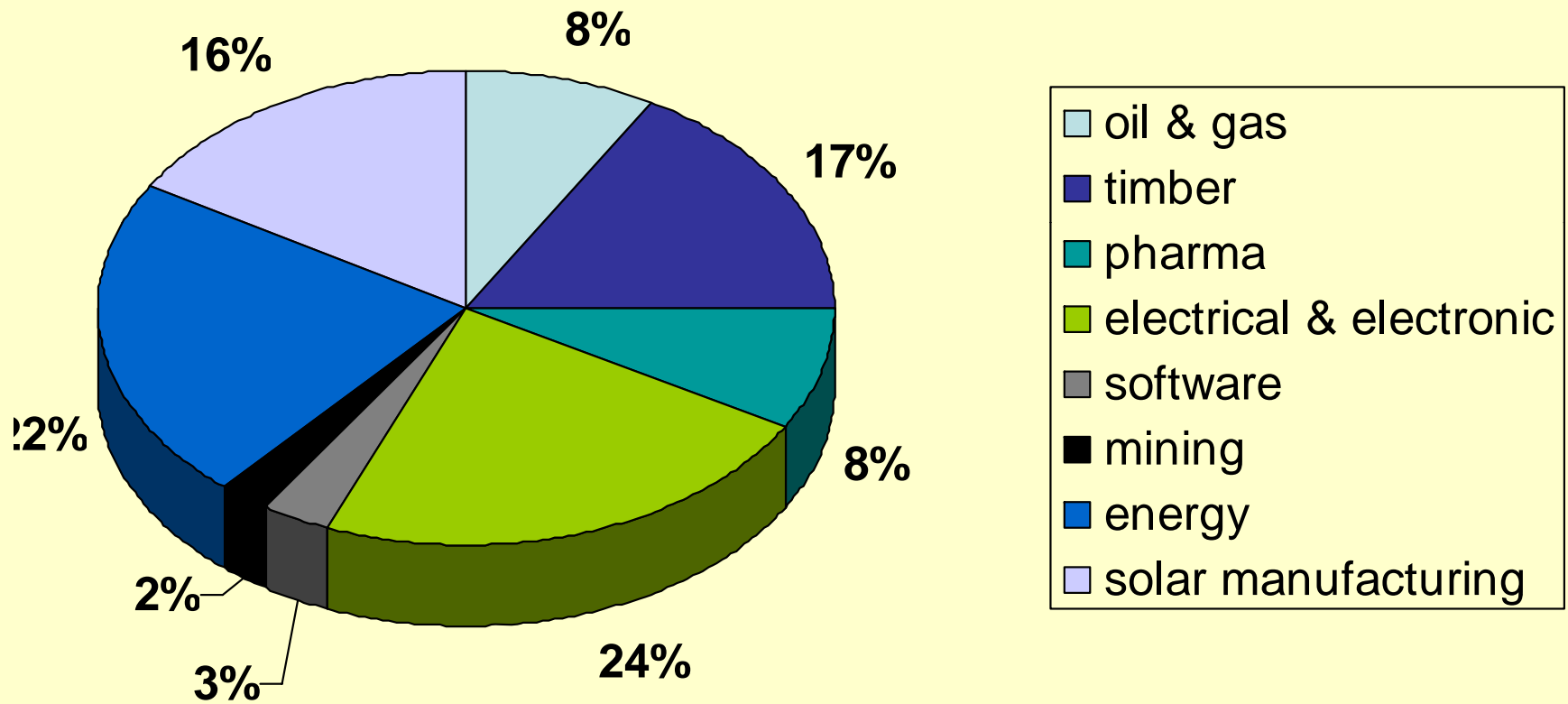


# Holdings at 31st December 2006



- Harbin Electric
- Russian Timber
- SOLA
- AOB
- Haike
- CHNG
- CP
- Sinoenergy
- Petrocom
- CEP
- Sinosoft
- Infosmart
- SRT
- COG
- KIM
- Sorrel
- Lon Min

# Investments by industrial segment



## Other investments – a selection

- o China Natural Gas, Inc (OTCBB: CHNG) owns and operates a natural gas pipeline in Xian, China, and distributes the gas to businesses and consumers in the Xian area.
- o Sinoenergy (OTCBB:SNEN) is a profitable natural gas distributor and equipment manufacturer based in Qingdao in Shangdong.
- o Sinosoft Technology plc (AIM: SFT.L) a leading Chinese e-Government software provider.

## Other investments – a selection

- o Infosmart Group Limited a Hong Kong-based fast growing and profitable manufacturer of writable DVD's (DVDR). Infosmart operates a state of the art DVDR production facility in Hong Kong and is preparing to manufacture new writable high density (HD-DVDR) media.
- o Petrocom Energy a unquoted Cayman Islands company with a exclusive license for proprietary Dutch coal beneficiation technology to blend coal to US, European and new PRC environmental standards and to improve combustion efficiencies in Chinese coal-fired power stations.
- o HaiKe Energy (AIM: HAIK), is a Chinese company based in Shangdong, HaiKe manufacturing petrochemicals, speciality chemicals and fine biochemicals.

# Conclusion

- o Long term visibility for Chinese growth
- o Strong pipeline of deals similar to those that we have invested in
- o Capacity for larger investments
- o Profitability within peer group is exceptional



# Appendices

# Management Team

- o Hugh de Luisignan
- o Chief Executive Officer
- o 20 years experience in the public equity markets
- o Head of UK Institutional Sales at NatWest Securities and Head of Pan European Sales at Société Générale.
- o Founding partner of Sovereign Group Partners LLP, an FSA regulated corporate finance house, specialising in private equity fund raising.
- o Holds 1.8 million shares in SovGEM



- o Douglas Kearney
- o Chief Financial Officer
- o Member of the Institute of Chartered Accountants of Scotland, has over 20 years experience in private equity investments
- o Charterhouse Development Capital
- o Founding director of Royal Bank Development Capital, which became one of the leading private equity firms in the UK.
- o Managed a team running a £500 million fund
- o Holds 1.15 million shares in SovGEM



# Board

Garth Milne  
Chairman

Garth has been involved with investment funds in the City for over 30 years. He was formerly head of the investment funds team at UBS Warburg, having originally set up the team at Laing & Cruickshank.

He is currently non-executive Chairman of Premier UK Dual Return Trust plc and a non-executive director of Invesco Perpetual UK Smaller Companies Trust plc, Utilico Emerging Markets Trust PLC and Real Estate Opportunities Limited.

Christopher Labrow  
Non-Executive Director

Christopher has over 30 years experience in financial services and investment management and is currently the managing director of Sovereign Asset Management Limited, Gibraltar. Christopher founded Labrow Global Funds Limited, a unit trust umbrella fund, which was sold to Brewin Dolphin Securities Limited in 1998.

Howard Bilton  
Non-Executive Director

Howard is the Chairman of the Sovereign Group, a leading consultancy specialising in offshore trusts and international tax advice. Howard is a recognised expert in this field and is a visiting non-resident professor at St Thomas University, Miami.

Allan Moloney  
Non-Executive Director

Allan has over 35 years experience in the financial services industry both in commercial financial roles and within the Jersey Finance Industry with particular emphasis on professional accountancy, taxation and trustee services.

Peter St George  
Non-Executive Director

Peter is a Chartered Certified Accountant with over 25 years experience in financial services mainly in the offshore company and trust management area. Peter is also a practising accountant and is principal of a practice providing general accountancy and taxation services.

## Major Shareholders

	Number of Shares	% of Total
Convivo Capital	3,794,000	16.62
Hugh de Lusignan, (Chief Executive Officer)	1,824,450	8.01
Archery Capital LP	1,426,000	6.25
Antoine de Sejournet	1,400,000	6.13
Douglas Kearney, FD (Financial Director)	1,155,227	5.07
Garth Milne	994,864	4.37

