SOUTH OCEAN 南海管理有限公司
MANAGEMENT, LTD.
H O N G K O N G

June 11, 2013

Dear Clients, Partners, and Friends,

The results for South Ocean Managementôs Delaware LP, Kong Partnersô L.P., before incentive fees, were as follows:

	May 2013	Year-to-Date
Hong Kong Partners LP	8.3 %	11.2%*
Hang Seng Index	-1.5%	-1.2%
MSCI HK Small Cap Index	5.2%	13.9%

Partnersô NAV for June $2.789 after management fee and provisions March 2013*, but before annual incentive fees of 15% on appreciation.

Our holdings of Hong Kong-listed, high growth businesses, with earnings geared towards China, considerably out-performed our expectations last month.

For four years, Hong Kong stocks have been out of favor. Positive earnings prospects are generally not reflected in share price valuations.

For example, we added a furniture manufacturer/USA exporter to our portfolios, a company developing retail shops in China. It is an A rated business in our Banquet Investing system (based on fundamentals measures of return on equity, net income growth, cash-flow growth and a healthy balance sheet). The shares were trading sideways throughout the year until the announcement of better than expected earnings in late May. The shares advanced sharply thereafter, gaining 21.1% in just 8 trading sessions.

As we have cited over the past several months, not only are valuations cheap in Hong Kong today, but rampant pessimism is pervasive, deadlocking skittish investors.

Another focus with Hong Kongôs economic welfare, besides the dynamics that emanate from China, is the city-stateôs preoccupation with property and finance. Much has been written about low interest rates forcing property prices far above most citizensô capacity to own, causing the government to step in with heavy duties and taxes to stem the exorbitant rise.

The stock market is heavily geared towards these two sectors. The Hang Seng Property index is down just over 7% this year (we do not own any property or financial stocks in our portfolios).

We own three index constituents stocks, namely Li and Fung, Sands China and Galaxy Entertainment (all purchased earlier this year using our new Banquet Investing, Warren Buffett-style investment program).

On average, these three stocks have gained 9.6 % year-to-date, (sizably out-performing the Index) and have appreciated 13.1% from our average cost. As noted in the table above, the blue chip Hang Seng Index has *declined* year-to-date by 1.8%.

The smaller capitalized, non-index sector of the market has performed slightly better (notwithstanding the relentless downward pressure on property prices), with the Hang Seng Small Cap Index gaining 1.9% year-to-date.

This sub-index of 139 constituent stocks, with an average market cap of US$1.3 billion, compares to our average market cap (excluding the three stalwart, Hang Seng Index constituent holdings named above) of US$1.1 billion.

With the launch last year of our proprietary, Buffet-style investment system, our portfolio gains have bettered the overall market returns. Importantly, we don't use elaborate derivatives or shorting to generate this alpha.

And, we believe our best gains have yet to arrive.

Sincerely,

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PS: It goes without saying that Index-related mutual funds and Hong Kong ETFs (-1.8% in 2013) have lower cost expense ratios than our (+22% pre-provision performance y-t-d) annual management fee cost of 1.5%.

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You get what you pay foré