SOUTH OCEAN MANAGEMENT, LTD. 南海管理有限公司
HONG KONG

February 8, 2010

Dear Clients, Partners, and Friends,

The results for the South Ocean Management composite and Hong Kong Partner's L.P. before management fees, were as follows:

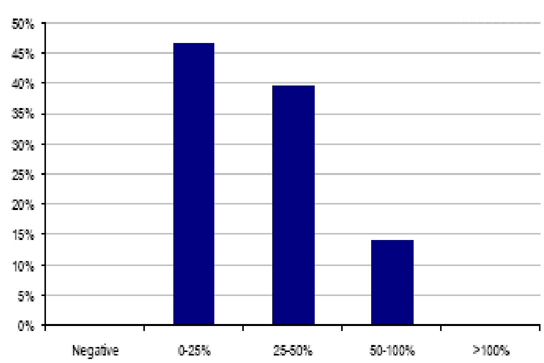
	Jan 2009
South Ocean Composite *	-0.59 %
Hong Kong Partners *	-0.72 %
Hang Seng Index **	-8.00 %
BNP Peregrine Greater China Index	- 9.38 %
MSCI HK Small Cap Index	-2.71 %

In mid-January, China tightened lending and investors fled the markets. Our portfolios of small/mid-capitalized holdings of Hong Kong-listed companies operating in China declined slightly for the month.

We visited 27 companies in January (many new names to South Ocean) to become familiarized and updated. These businesses ranged from manufacturing to media, distribution to solar. Overall, company executives cited a strong rebound during the second half last year, but had witnessed little improvement yet from the US or Europe. Tellingly, most managers had optimistic outlooks, in stark contrast to this time last year.

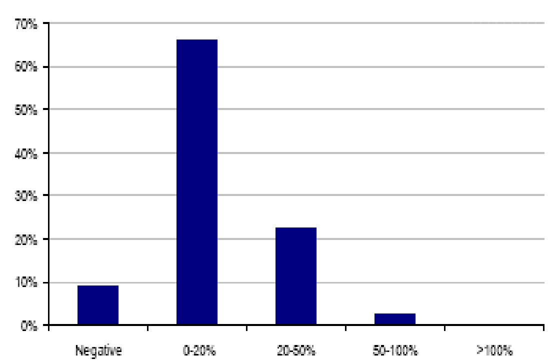
Our analysis was further confirmed by a recent UBS survey on expectations by Chinese companies; 40% of Chinese corporates in the survey expect sales growth in 2010 will be + 25% to + 50% and 91% of them estimated gross margins would be higher as well.

Chart 1: Survey results--YoY sales growth in 2010



Source: UBS

Chart 2: Survey results—Margin expansion in 2010



Source: UBS

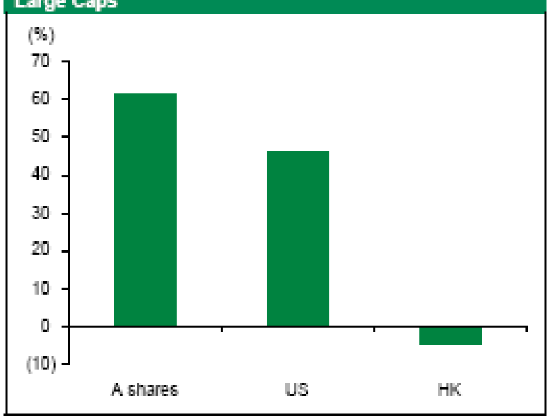
In a recent Credit Suisse China consumer report, chief economist, Dong Tao, expects China's consumer market to rise from just under US$2 trillion in 2009 to US$16 trillion in 2020. Further, he expects the share of global consumption to rise from 5.2 % in 2009 to 23.1 % in 2020, overtaking the US as the largest consumer market in the world.

CS also noted car ownership in China increased from 12% in 2004 to 28% in 2009 as GDP/capita reached US$2,000. Similarly, in 1970, when Japan's GDP/capita reached US$2,000, the car ownership ratio was 21%. *However, by 1975, the ratio in Japan had already increased to 44% and by 1980 it was 60%. Therefore, it is entirely possible for the car ownership ratio to surpass 50% in urban China by around 2015.* There are 351 million households in China today.

This dynamic economic outlook is beneficial to Hong Kong-listed companies. Unquestionably, as cross-border money flows between Hong Kong and China burgeon; small/mid cap shares in Hong Kong will be the equity class that out-performs.

For HK-listed small caps, there are several reasons to be optimistic. In the China A-share market, as a comparison, small caps trade at a premium to large caps on 2010 estimates. In the US, the premium is 46%, but in Hong Kong, small caps still trade at a notable discount.

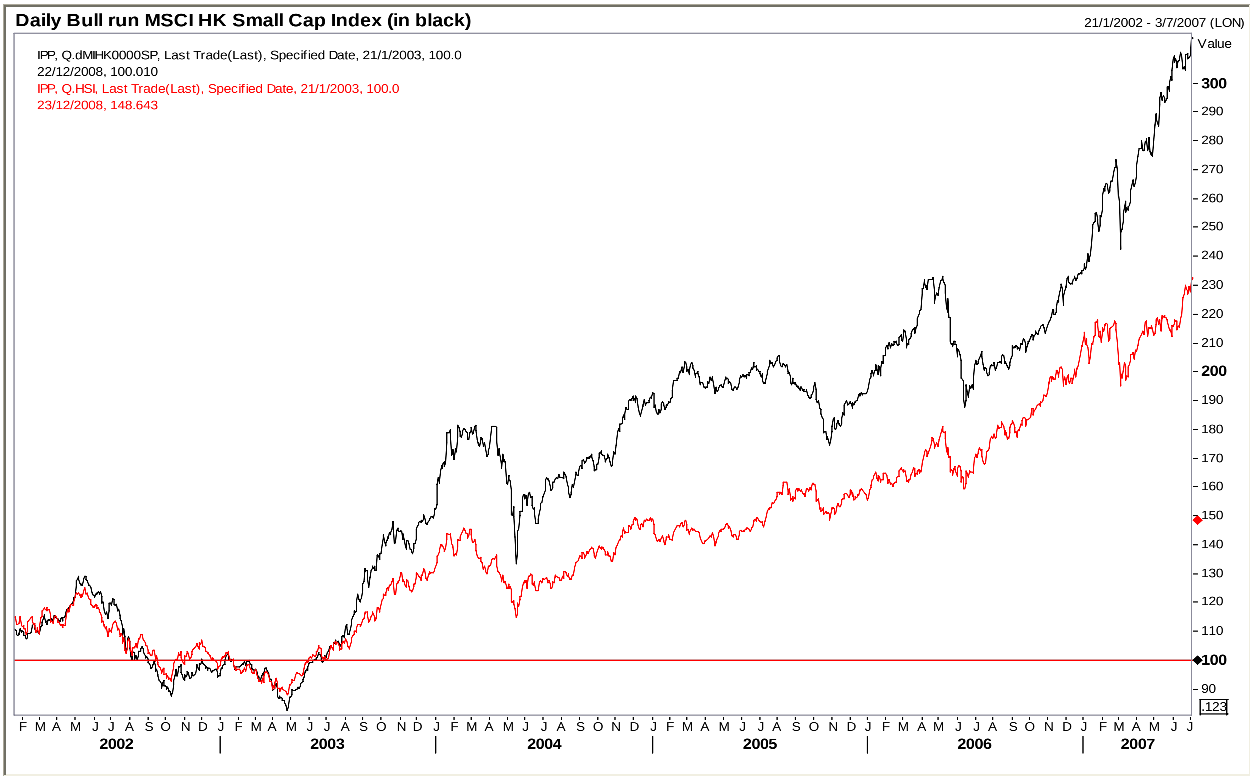
Exhibit 40: 2010 PER Small Cap Premium/(Discount) vs Large Caps



Sources: Datastream; Wind; BNP Paribas

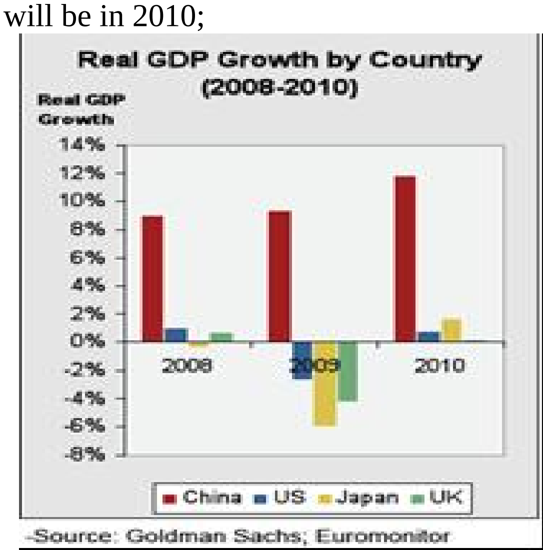
Second, due to the financial meltdown, many brokers stopped covering small caps, creating significant value opportunities. Overall, coverage per stock has fallen by 20% in Asia ex-Japan small cap universe, but by an even greater amount (-44%) in Hong Kong (according to CLSA).

Compared to large cap stocks, small caps outperformed in the last bull market phase in Hong Kong;



Smaller cap outperformance last year eliminated the significant valuation discount to large caps, yet we think most have the potential to outpace overall market earnings growth.

That is because China is managing the growth of its economy relatively well. As is evident in this latest GDP forecast for the world's 4 largest economies, China is where the growth will be in 2010;



We have kept a high level of cash in our portfolios since August last year and began adding selectively to our holdings the end of last month. Cash as a percent of total portfolio value is currently under 20%.

We are most grateful that our friends, partners and clients have been supportive through a very rough period, investing alongside us in our fast growing enterprises in China. We hope we can give you a clear perspective on these exciting events, or at least how we see them from here.

Sincerely,

Brook McConnell
President
Email: *brook@south-ocean.com* Website: *www.south-ocean.com*
HouseKeeping: to all our Limited Partners, Deloitte is working on the K-1 tax forms for 2009 for our Delaware limited partnership fund, Hong Kong Partners LP. We hope to have these available by mid March. If there's urgency, please contact myself or Joyce Yip at joyce@south-ocean.com for assistance.

Time to Bet on China-Oriented Stocks
Mon. Feb. 8 2010 | 11:21 AM[03:22]
Right now is a great time to look at China-oriented stocks, says Brook McConnell, president at South Ocean Management. He tells CNBC's Oriel...

For the Bloomberg financial TV interview, February 4, 2010, please log-on here in several days (we had to purchase extra storage with our website provider for this hour long interview).

Bloomberg TV

South Ocean's McConnell Likes Chaoda Modern, Rexlot
Watch

*Hong Kong Partners LP risk disclaimer:

- Hong Kong Partners LP (The "Fund") primarily invests in the Hong Kong equity market with a Greater China focus.
- The Fund invests in China-related companies which involve certain risks not typically associated with investment in more developed markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund is also subject to concentration risk due to its concentration in Hong Kong, particularly China-related companies. The value of the Fund can be extremely volatile and could go down substantially within a short period of time. It is possible that a substantial value of your investment could be lost.
- You should not make investment decision on the basis of this material alone. Please read the explanatory private placement memorandum for details and risk factors.

**Index Descriptions: The Hang Seng Indexes are a widely recognized capitalization-weighted indexes that measures the performance of the three largest-capitalization sectors of the Hong Kong stock market in descending order. The Hang Seng Index measures the largest 52 market capitalized listed companies in Hong Kong's stock market. The Hang Seng Mid Cap Index represents the next 193 largest capitalized listed companies, the Hang Seng Small Cap Index represents the next 187 largest capitalized listed companies in Hong Kong.

The MSCI HK Small Cap Index is a free float-adjusted market cap weighted index designed to measure the performance of small cap equity securities in the bottom 15% of equity market capitalization in Hong Kong. With 69 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Hong Kong equity universe.

The Hong Kong Partners LP (HKP) is benchmark agnostic and its corresponding portfolio may have significant noncorrelation to any index. The portfolios may invest in all sectors (within and/or on other stock markets) and the composition of securities in the portfolio may change periodically depending on market conditions at the time. Securities in the portfolio will not match those in any index.

Index returns are generally provided as an overall market indicator. You cannot invest directly in an index. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's returns. Index performance information was furnished by sources deemed reliable and is believed to be accurate, however, no warranty or representation is made as to the accuracy thereof and the information is subject to correction.

Before investing you should carefully consider the Partnership's investment objectives, risks, charges and expenses. This and other information are in the prospectus, a copy for Accredited Investors may be obtained by inquiring to info@south-ocean.com. Please read the prospectus carefully before you invest.

The principal risks of investing in HKP: Equity Securities Risk. The value of the equity securities the Fund holds may fall due to general market and economic conditions. Foreign Securities Risk. Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities. Industrials Sector Risk. Companies in the industrials sector may be adversely affected by changes in government regulation, world events, economic conditions, environmental damages, product liability claims and exchange rates. Consumer Discretionary Risk. Companies in this sector may be adversely impacted by changes in domestic/international economies, exchange/interest rates, social trends and consumer preferences. Information Technology Sector Risk. Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Detailed information regarding the specific risks of Hong Kong Partners LP can be found in the prospectus. Additional risks of investing in HKP include equity, market, management and non-diversification risks, as well as fluctuations in market value and NAV. An investment in a private limited partnership is subject to risks and you can lose money on your investment in the limited partnership.

There can be no assurance that HKP will achieve its investment objective. The LP's portfolio is more volatile than broad market averages. Shares of HKP cannot be bought or sold publicly, there is no active market in the Units and there are restrictions imposed on Limited Partnership unit transfers. Partnership redemptions are handled by Authorized Administrators of the Partnership.